ANNUAL REPORT

OF THE

Indian Merchants' Chamber

FOR THE

1941

presented to the Annual General Meeting of the Chamber held on 20th January 1942.

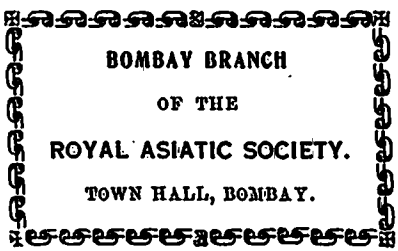
Published by

J. K. MEHTA, M.A.

SECRETARY, INDIAN MERCHANTS' CHAMBER,
LALJI NARANJI MEMORIAL
INDIAN MERCHANTS' CHAMBER BUILDING,
BACK BAY RECLAMATION, OFF, BOMBAY

1942

00133699



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With the Compliments

of

The Secretary

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THIRTY-FOURTH ANNUAL GENERAL MEETING

The Thirty-fourth Annual General Meeting of the Members of the Chamber was held on Thursday, the 29th January 1942, at 2-30 p.m. (S.T.), at the office of the Chamber.

Mr. M. C. Ghia (President) was in the Chair. The following members were present :—

Mr. J. C. Setalvad
„ Haridas Madhavdas
„ Manu Subedar, M.L.A.
„ Behram N. Karanjia
„ Lallubhai G. Parikh
„ D. M. Dahanukar
„ R. D. Char
„ V. N. Patruni
„ Ratilal M. Gandhi
„ Pranlal Devkaran Nanjee
„ Purshotamdas H. Shah
„ H. S. Mahomed
„ R. M. Nanavati
„ N. J. Gor
„ N. C. Jhaveri
„ Rahim Joosaf
„ Sarabhai Prataprai
„ Bhawanji A. Khimji
„ Nagindas T. Master
„ Ishwarbhai B. Patel
„ M. M. Amersey
„ H. T. Parekh
„ M. L. Dahanukar
„ Vithaldas D. Govindjee
„ Dhirajlal C. Modi
„ K. S. R. Iyer
„ Vadilal B. Shah
„ Vallabhdas Ranchhordas
„ Jiwanlal C. Chinai
Mr. M. A. J. Noble
„ Lakhamsi Gellabhai
„ V. H. Hazarat
„ „ Jayantilal Maneklal Shah
„ A. M. Pakvasa
Sir Chunilal B. Mehta
Mr. Jagmohandas M. Mehta
„ Jayantilal R. Mehta
„ Thakorelal H. Vakil
„ Keshavprasad C. Desai
„ Krishnaprasad C. Desai
„ Vijaysinh Govindji
„ K. S. Amin
„ Khimji Madan Bhujpuria
„ Madhavlal M. Bhatt
„ Jayantilal L. Parikh
„ Soma Datta Sharma
„ B. S. Dabke
„ Kanchanlal Varajdas
„ A. R. Bhat
„ Nandlal M. Bhuta
„ S. A. Bhagwati
„ Ramdas Girdhardas
„ Mohanlal A. Parikh
„ Mathuradas Devidas
„ G. C. Kothari
„ C. S. Patel

Mr. Chandrakant Karsondas	Mr. Haridas Parikh
„ Jamnadas Kherajbhai	„ Himatlal T. Muni

Mr. J. K. Mehta (*Secretary*).

The Secretary read the notice convening the meeting.

Mr. M. C. Ghia, President, in placing before the meeting the report of the work done in the previous year and the audited Statement of Accounts, made the following speech :—

GENTLEMEN,

The Report of the work done by the Committee during the last year and the Audited Accounts of the Chamber are in your hands. I propose the adoption of the Report and the Accounts.

Time flies so quickly that I am not able to realise that one year has passed since I assumed the reigns of my responsible office. The war has introduced problems of a peculiar nature and their right solution means a good deal of relief to our business people. It was only when I was President of the Chamber that I fully realised and appreciated the value and importance of an institution like the Chamber—what work of national importance it can do ; what help it can give to the businessmen and industrialists ; what solution it can afford to the problems of the day, etc.

I congratulate you on securing, as my successor, Mr. J. C. Setalvad, who has rendered for the last several years yeoman service to the commercial community through the Chamber and who will, I am sure, continue to be of great service in these days of storm and stress. I am also glad that we have been able to secure a personality in the business world like Seth Haridas Madhavdas for the Vice-Presidentship. He is not only a leading cotton merchant, but is a leading businessman, Chairman of one of our biggest Indian Banks and one who has got experience of public life. With such a team like Mr. J. C. Setalvad as President, and Mr. Haridas

Madhavdas as Vice-President, I think that the ship of the Chamber will be able to brave any seas however stormy.

Political Situation

The war has assumed much graver proportions since we met last. The situation has become specially grave and serious for us in this country as the war has been brought nearer home through Japan's joining it. While there was ever present an apprehension that the situation in the Far East would be disturbed sooner or later, it was not expected that Japan would take such a speedy action and join the Axis Powers in creating a war situation in the whole of the world. I remarked in my last speech that there was also the danger on the East if Japan, under the influence of her militaristic leaders, decided to plunge in just as Italy did on the eve of the collapse of France. This is just, however, what has happened. I cannot, for a moment, believe that Japan will win the war in the Far East. She may have got a certain advantage on account of her speedy and precipitate action ; but it is very doubtful if this advantage can be permanently retained. At the same time, unfortunately, a certain unpreparedness is seen on the part of the British and American Governments with regard to the Far Eastern countries. I myself and my other colleagues have been urging, since the war began, on the attention of Government and our political leaders the extreme and vital necessity of putting our house in order and preparing the country for a state of warfare, if Providence decrees that we have to go through the blood and storm of the war. I do not want to be pessimistic ; but one can hardly say that His Majesty's Government have realised the extreme gravity of the whole situation. Despite appeals being made to them by all sections of the people, the Prime Minister and Mr. Amery have remained adamant ; and Mr. Amery has even recently, repeated his pseudo-sacred August, 1940 slogan. The Congress leaders have, to some extent, realised the situation and withdrawn the *Satyagraha* and based their Bardoli Resolution upon a strong and emphatic declaration that "the sympathies of the Congress must inevitably lie with the

peoples who are the subject of aggression and who are fighting for their freedom, but only a free and independent India can be in a position to undertake the defence of the country on a national basis and be of help in the furtherance of the larger causes that are emerging from the storm of war." It means, very clearly, that the Congress is going to rally the full strength of the country to its defence, provided the helping hand of co-operation is extended by Government. The duty now clearly devolves upon Government to move from their do-nothing-and-indifferent attitude and take the people of India with them in their war defence operations. To secure that such war defence preparations are carried out in the best possible manner and with the fullest possible strength, unity of the two major communities is greatly essential. Nothing tangible will happen without such communal unity, harmony and co-operation. It is because of this that I am sorry that the political parties do not lay principal emphasis upon the communal unity. I cannot believe that there can be any unbridgable gulf between Hindus and Muslims. It requires a serious trying on both sides, and no power on earth can prevent unity, provided the communities themselves decide to join hands.

Income-tax and Excess Profits Tax

The disproportionate increase in recent years in the burden of direct taxation is a matter on which the Indian commercial community had expressed themselves strongly both through their spokesmen in the Legislature and in written representations to the Central Government. The amount realised as revenue from Income-tax has risen from over Rs. 11.25 crores per year in the quinquennium 1916-17 to 1920-21 (average) to Rs. 18 crores in 1930-31 and to over Rs. 23 crores in 1941-42. The latter figure is exclusive of the Excess Profits Tax which, even according to Government estimates, is expected to yield over Rs. 10 crores which, in the opinion of many, is an underestimate. There is thus an increase by over 300% in the incidence of this form of direct taxation. It is significant to point out that the number of assessees has with slight varia-

tions remained almost constant. Thus in the year 1921-22, the total number of assessees were 2,71,000 and in the year 1939-40, for which complete figures are available, the corresponding figure stood at 2,73,000. It may also be mentioned in passing that the Income-tax rates during these years were changed many times and on almost all occasions the changes were to increase the rates. The E. P. T. Act underwent two amendments during the year. The provisions inserted in this Act by the second amendment relating to artificial transactions and disallowance of business expenses are matters on which your Committee had made strong representations to the Central Government. Although they were able to get the said provisions modified in a manner which made them less objectionable, yet they can prove to be vexatious if not administered in the proper spirit. The one important concession granted by the Amending Act was the extension of the relief in regard to borrowed capital, a point on which your Committee had represented to the Government of India time and again. While we welcome this relief, it must, in passing, be said that it would have been more equitable if Government had also agreed to give retrospective effect to this extension.

In the field of administration, inspite of repeated complaints and notwithstanding all the assurances given by the high officials down from the Hon'ble the Finance Member, things cannot be said to have improved. On the contrary, complaints are persistent and there is a growing feeling of dissatisfaction. The Department seems to be guided more by the anxiety to squeeze out as much tax as possible than by any consideration of merits, fairness or equity of the case. I cannot, within the limited time at my disposal, go into the details of the instances of such administrative harassment. I will only mention some types of difficulties which have been brought to the notice of your Committee. Registration granted to partnerships is refused renewal or challenged on every conceivable excuse. Persons who have for years been assessed as separate individuals or as registered firms are sought

to be assessed as Hindu Joint Families although there has not been any change in the circumstances connected with their business. People doing business with non-residents are being held responsible for the income or transactions of such non-residents although such persons are not acting in the capacity of agents for the latter. Expenses wholly or exclusively incurred for purposes of business are sought to be disallowed. It is no pleasure for the Committee of the Chamber or their office-bearers to criticise a public department of the Government of India. At the same time, we have a duty to discharge and we shall be failing in that if we do not convey to the authorities the feeling of exasperation prevalent in commercial circles at some of the recent happenings connected with Income-tax administration. This is not the first time that such complaints are made ; they have been made by this Chamber on many occasions in the past. In the Legislature the point was debated during the course of every budget or any important amending bill, and on all such occasions the Hon'ble the Finance Member or the Senior Official of the Central Board of Revenue was at pains to assure the public that it was their anxiety to administer the department in a tolerant and sympathetic spirit. We again urge that the whole outlook and attitude of the Income-tax Department towards the assessees should undergo a re-orientation so as to lead to the establishment of more cordial relations.

May I take this opportunity of pointing out to the Income-tax authorities that in view of the present critical times it is very essential and necessary to expedite the disposal of pending assessments for income-tax, super-tax and excess profits tax, as I am reliably informed that assessments involving large amounts have not been disposed of for a number of years and elaborate enquiries are being carried on in connection therewith ? I also understand that in the case of many of such pending assessments, the matter is held over on account of disputes regarding small issues arising out of the return or the assessment records. I am of the opinion that if such assessments are held up indefinitely the position of the assessees

concerned may be adversely affected, due to the present critical times, thereby resulting in loss of revenue to Government. I urge upon Government the necessity of expediting collection of tax revenue as in case of scare in important cities like Bombay, Calcutta, Madras, a large part of such revenue will not be easily realisable, if not lost, resulting in a large deficit in the ensuing budget and consequent increase in taxation.

War and Indian Finance

It was expected that immediately after the declaration of war, there would be a large-scale demand for money both on account of the budgetary requirements of Government and increased activity in trade and industries stimulated by war time conditions. The recollections of experience during the last World War lend weight to the belief that an era of none-too-easy money conditions would set in and that interest rates both for short-term and long-term borrowings would go up substantially. Actually there has, however, been no such development; on the contrary, after a period of temporary briskness immediately after the war, money market conditions have considerably eased and things may be said to have fairly settled down. In saying this, I am not ignoring the temporary disturbances either in the Stock markets or in any of the other commodity markets caused by immediate causes, sometimes by adverse news about developments connected with the war and sometimes due purely to local factors. Trade demand for funds and Government borrowings are the main factors which govern money market conditions in this country. Excepting for some seasonal variations the demand for funds, on account of trade, during the period since the commencement of the war and during the last year in particular, was poor. Funds were in abundance and borrowers rare so much so that inter-bank call money was nominally quoted, throughout the period of last year, at ¼%, except on one or two occasions during the months of April and December. Even now, although the coming months may be said to be a part of the busy season, the call money rate is only ¼% and banks are taking deposits for three months and six months at 1¼%

and $1\frac{1}{2}\%$ respectively. Throughout last year the rate for short-term borrowings sagged and the average rate paid by Government for Treasury Bills in the year 1941 worked out to As. 11.$9\frac{3}{4}$ pies per annum as against the average rate of Re. 1-3-$3\frac{3}{4}$ per annum in 1940 although the total value of Treasury Bills sold in 1941 was Rs. 114 crores as against Rs. 103 crores in 1940. Government have also been able to get the necessary finances in respect of their budgetary requirements at what may be termed in war times on easy conditions. Of course, a substantial part of the direct increase in the annual Government expenditure has been met by additional taxation. Short-term borrowings in the shape of Treasury Bills at cheap rates have helped to strengthen the ways and means position from time to time. In the sphere of long-term borrowings Government have been able to secure almost all their requirements of funds on a 3% basis. The first Defence Loan, 3% 1946, was continued to be issued upto 25th January, 1941 and from this Government were able to get more than Rs. 45 crores. In February, 1941 a 3% loan of longer duration, *viz.* 1945-52, was issued and lists are still open. Fresh issues of loans as counterpart to the Sterling Loans repatriated are expected. The total amount subscribed to various Defence Loans upto December 1941 including conversions amount to over Rs. 108 crores.

The two dominating factors which influenced the continuance of such cheap money conditions were the rise in currency circulation and the lack of trade demand or long-term industrial investments. Money in circulation has expanded considerably. Since the outbreak of the war in September, 1939 upto the middle of December, 1941 there was a rise in the volume of money in circulation by nearly Rs. 200 crores, over Rs. 146 crores by way of notes and nearly Rs. 53 crores by way of rupee coin which included one rupee notes also. The justification for the increase in the quantity of money in circulation is said to be the rise in the expenditure on account of war and substantial purchases of essential materials by the U. K. and the allied countries. During this year particularly

every month saw a rise in the volume of notes in circulation as will be evident from the following table :—

	In lakhs of Rupees. Notes in circulation average.
January, 1941 ..	244,57
February ..	250,62
March ..	256,24
April ..	267,08
May ..	272,89
June ..	277,70
July ..	275,69
August ..	276,77
September ..	284,29
October ..	292,90
November ..	303,72
December, 1941 ..	328,77*

* Figure as on 19th December, 1941.

Other noteworthy financial measures taken by Government during the year 1941 were the acquisition of Dollar balances and securities and the repatriation of Sterling debts. In December, 1940, under the powers vested by the Defence of India Rules, the Government of India took over Dollar holdings of all residents in British India, such holders being paid out rupee equivalents at the rate of Rs. 3.3 per dollar, the approximate ruling rate as on that date. In March, 1941 certain Dollar securities held by residents in India were also acquired at the same rate. Payments for all such securities were made in India.

Similarly, a substantial part of our Sterling debt has been repatriated in two lots, the first in February, 1941 when the whole of India's terminable Sterling debt bearing interests at rates varying from 3% to 5% and of the face value of about £.84 million was sought to be acquired. The second

stage of the repatriation is underway and will be completed by March of this year according to which holders of the $2\frac{1}{2}\%$ and 3% non-terminable loans will be paid back.

As we are in the thick of the developments under which such far-reaching measures of financial importance have taken place, it is perhaps difficult at the moment to apprise or evaluate the long-term consequences or reactions of the same on the financial fabric of the country as a whole. Such a detailed evaluation or comment can necessarily be made only at a future date when we can view as a whole the result of all these far-reaching developments. There is, however, one feature which strikes us as rather extraordinary and that is this. Notwithstanding the existence of continued cheap money conditions no concerted attempt seems to have been made to tap the same for employment in long-term industrial investments. In fact, there has not been new floatations on any large scale although the present opportunity is acknowledged to be one in which industries should have a forward spurt. The hesitancy may partly be due to an under-current of pessimism in regard to Government outlook and policy in the matter of industrialisation as a whole. Even now it may not be too late to suggest that Government should take a direct hand in initiating the employment of moneys, going to cold storage, in long-term industrial undertakings.

The following comparative statement of the position of scheduled banks is interesting :

	1939 1-9-39	1941 19-12-41
	Rs. (000 omitted)	
Demand liabilities of scheduled banks	141,39,78	229,56,28
Time liabilities of scheduled banks ..	106,46,46	112,78,83
Balance with the Reserve Bank ..	25,27,75	35,01,33
Advances	105,65,08	118,58,18
Bills discounted	3,86,74	6,26,87

It will be seen that the demand and time liabilities of banks or in other words the deposits made by the public with

them have increased by over Rs. 95 crores since the beginning of the war as against which the increase in advances and Bills discounted amounts to only about Rs. 15 crores which goes to prove that if properly tapped, there is a plethora of funds awaiting remunerative investment. Some planned programme to utilise all this idle money is overdue.

The Chair had many occasions during the last two years to comment on the policy of Import Control of the Government of India and to bring to their notice the difficulties experienced by merchants in the operation of the control. We have admitted the inevitability of such checks in an emergency like the present for the successful prosecution of the war. Hence our comments against such controls were directed only towards rectifying avoidable difficulties. I have once more to refer to one of such controls, *viz.* Import Control of dyes which has operated greatly to the disadvantage of the dyes trade as also of industries. The first indication of this control was given in the Government of India Pressnote, dated 17th December, 1940. Please do not be carried away under the impression that the control proposed then was unjustified as the same was contemplated to conserve the Dollar Exchange which was the primary anxiety of Government. But our chief complaint lies against the manner and method in which this control is being administered.

Dye-stuffs form an important item in the manufacture of textiles ; it has also subsidiary importance in the manufacture of paper, jute, leather, paints, etc. In view of the fact that 80% of the normal requirements of the country were being in the past imported from Germany, the position with regard to supplies of dye-stuffs has greatly deteriorated from the beginning of the war. Even before the operation of the Government control the supply position of the dyes trade was fraught with some anxiety. You can well imagine the nervousness the trade must have experienced by an injudicious distribution of quotas under the Import Control scheme whereby since July, 1941 only about 40 registered firms were allowed to import the country's requirements on the basis of

their imports in the calendar year, 1940. The restriction did not end by limiting the number of such importers for even these few importers were allowed under the scheme to import dyes only from specified countries, *viz.*, U. S. A., Japan and Switzerland on the basis of their imports in 1940 from those countries. With Japan turning hostile even that source of supply has now been cut off. Representations were made to your Committee that Government should be approached with a request to include past imports from Holland, France and Italy for the purpose of fixing the quantum of import quotas ; but Government have turned down the proposal. After the commencement of the war and before the extension of hostilities with Japan large supplies were being imported from Japan. In the circumstances that have developed, in fairness to the trade and industries concerned, Government should at least agree to transfer the share of imports from Japan to the current year's quota for imports from the U. S. A. Your Committee have made this suggestion to Government and in reply have been informed that the matter is under consideration. It is our earnest request that Government should decide this point favourably and at an early date so that the supply position in regard to dyes will be strengthened to that extent. It must be noted that the pre-war normal requirements of dye-stuffs have been greatly exceeded. The industry in the country has been called upon to supply not only the requirements of Government themselves and that of the Eastern Group for military purposes, but also on account of the developing export trade, to meet the demands for supply to Empire countries such as Africa, Australia, Palestine, Egypt and even South America. As dyed cloths have ceased to be imported in sufficient quantities from England and lately from Japan, the country's civil needs also have expanded. All this inevitably means an increase in the use of or demand for dye-stuffs and it should be the endeavour of the authorities to correlate the supply position to this increase in demand.

Subsidiary Activities of the Chamber

Although many of you must be aware of the subsidiary activities of the Chamber, I would like to take this opportu-

nity to bring to your notice particularly the following three services, which the Chamber is rendering to the trade, *viz.*, issue of Certificates of Origin, issue of Measurement Certificates for export cargo and Commercial Examinations.

Certificates of Origin. Under Article 10 of the International Convention for the simplification of Customs formalities signed in 1923 under the aegis of the League of Nations, Chambers of Commerce in different countries are authorised to issue Certificates of Origin in respect of goods shipped abroad. This Chamber is one of the Chambers of Commerce in India so authorised and since 1928 we have been issuing Certificates of Origin. I understand many Indian firms are taking advantage of this facility. There are, however, still some which do not and I hope they will also come to the Chamber for this work.

Measurement Department. Ever since the Chamber was organised it was felt that it should take up Measurement and Weighment work. Last year it was decided to organise a Measurement Department for the purpose of measuring cargo meant for export from Bombay and issue necessary certificates on the basis of which freight would be recovered by the shipping companies from shippers and their agents. This branch of activity was started at the express wish of the trades concerned and I am glad to record that a good measure of co-operation has been forthcoming from Indian shippers and the department has been set on a footing of usefulness and in times to come will develop into one of the important activities of the Chamber. I must record, however, here that this department has not been fortunate to receive that measure of co-operation from foreign shipping companies operating in this country which is its due. These foreign shipping companies have, without exception, refused to accept the Measurement Certificates issued by this Chamber under one pretext or another and thereby have failed to extend the courtesy due to a national organisation like this Chamber. They have thrived and prospered by developing their trade in this country and one fails to realise on what basis they could reject the

certificates issued by the Chamber which is the premier Indian commercial body. I must here record our sense of thankfulness to the Scindia Steam Navigation Co., Ltd., who evinced a considerable interest in our effort in organising this department and who were of practical assistance to us in evolving the necessary machinery for the same. In particular, Mr. M. A. Master, the General Manager of the company, took a personal interest in initiating the department and seeing it put on a sound footing.

Commercial Examinations. Apart from the services that are rendered to Commerce in various forms by this Chamber, this body also actively helps in the educational sphere from the point of view of commerce. As you are aware, since 1927 the Chamber is conducting commercial examinations in various commercial centres in India which now number about 18. The Commercial Examination Board under the authority of the Chamber conducts these examinations for which they have formulated a comprehensive syllabus comprising of various commercial subjects for which they award Diplomas and Certificates to successful candidates. During the last 14 years 3,729 candidates have appeared for the examinations of which 1,604 came out successful, 916 securing Diplomas and 688 Certificates. To my mind this educational activity of the Chamber is a very important one and it is hoped that the commercial public would accord due recognition to those possessing Chamber's certificates.

In conclusion, let me express my sincere thanks to the members of the Committee for the very kind help and co-operation they have extended to me throughout the year. Through certain circumstances, I had to move about to a large extent, and the Committee, with a good deal of regard for me, put up with my occasional absences and co-operated with me in the consideration and discussion of the problems we had to deal with. It is this co-operation and mutual help which form the basis of strength of an institution like the Chamber, and I hope that they will always be forthcoming in the future as they have been in the past.

Before I close I would like to acknowledge and put on record my appreciation of the work done by our Secretary, Mr. Jaisukhlal K. Mehta. His rich and varied experience and his intimate knowledge of men and matters have been a great source of strength to the Committee in these trying times and he has been of invaluable assistance to me personally in getting through the large volume of work done by the Chamber during the year. I must also express my appreciation of the enthusiastic services of our First Assistant, Mr. Ramalingam, and all the members of the staff. They have all done their duty cheerfully and well.

With these words, Gentlemen, I propose the adoption of the Report and the Accounts.

Mr. J. C. Setalvad, the Incoming President, while seconding the proposal for the adoption of the Report and the Accounts, spoke as follows :—

MR. PRESIDENT AND GENTLEMEN,

I have great pleasure in seconding the proposal for the adoption of the Report and the Accounts placed before you by Mr. M. C. Ghia, the retiring President. I am deeply obliged to you all for the honour you have done to me by electing me as President of the Chamber. I am also thankful to my friend, Mr. Ghia, for the very kind words in which he has referred to me. I know the burden which I have taken upon myself by accepting the Presidentship in this critical year. Every period in the history of an institution is important ; but specially so is a period like the present, when both the national and international situations demand our best. I hope I shall be able, with your co-operation and friendly help, to do what best I can in the interests of the Chamber. If we are all moved with the same spirit of zeal for the good of the Chamber, there is nothing to be afraid of. I am glad that you have selected, as your Vice-President, an eminent and experienced businessman like Sheth Haridas Madhavdas in whom I have a colleague, whose advice will be of great help

to me in dealing with many a difficult problem with which we shall be faced during the year.

Political Situation

The President has referred, in his speech, to the political situation. Both the international and national situations have been bad since the last two years and a half. All the countries are involved in the grip of war, and have been passing through some of the worst times they have ever gone through. One cannot expect that India alone will remain free from all these troubles and that we alone can sit round our family hearths and smoke the proverbial pipe of peace. We have got a political deadlock, and communal settlement is still to be achieved. The political struggle of the country has now been going on for more than half a century, and the British Government, as is characteristic of the British people, have been reluctantly parting with some of their power time after time ; but have never got the imagination to make a bold gesture and hand over the real power to the people of India. If they had done so, India would have been today a pillar of strength to them and would be in a position to defend herself. Unfortunately, it has come to be believed, as it was during the last war and as it is during the present war, that India could always be kept down and that, whether her people will it or not, her men and materials can be taken to fight the wars of the Empire. It is sad, indeed, that even the experience of the last war has not been utilised for the present war. Whatever men and materials India has given upto now in this war are nothing to what she can give if she stands on terms of equality with England and the Dominions.

Different political leaders of different creeds and schools have been practically urging upon His Majesty's Government the necessity of realising and appreciating the international situation so far as it relates to India, and taking every means in their power to appease India. Some of the English statesmen and politicians themselves have also been insisting upon the attention of the British Cabinet the vital necessity of winning the co-operation of India. A deaf ear is, however, turned

to all such suggestions and protestations, which is calculated to adversely affect the war efforts, which should be at their best in this critical situation. Surely, a golden opportunity is being lost for winning India's co-operation. Suggestions of eminent Indians like Sir Tej Bahadur Sapru and others, who have held important positions in the Government of India and who are held in high esteem by the people in India, should, surely, be treated with respect and consideration. I, for one, feel that, if the situation is allowed to continue further, it will result in maximum harm to both the countries.

While this is the situation as regards the Government of India and the British Government, we ourselves cannot be said to have realised the gravity of the situation. The very possibility of our country being involved in a war, even though as a result of the Empire having joined in the war, should have unified all the political parties and people into one conglomerate whole. We could have and should have joined together and raised one voice for demanding what has been due to us for a long time. The Government of India, who now say that Hindus and Muslims should first unite and make a common declaration, were oblivious and indifferent, even though Hindus and Muslims had joined together in 1921. I must here definitely point out and emphasise that both Hindu and Muslim businessmen are strongly opposed to any communal rivalry which leads to communal bitterness. They want communal peace and are strongly of opinion that in the absence of the same no progress is possible. You must have seen how at the time of the last riots, your Committee called here a meeting of Hindu and Muslim businessmen and all the Hindus and Muslims who attended that meeting in large numbers expressed their conviction very strongly that communal fracas and communal ill-feeling should go. There were so many people present then, and I did not find even one who wanted those wretched riots to continue. Both Hindu and Muslim businessmen want that we should arrive at some settlement. It is no use saying that the task is herculean and impossible. It is easy of accomplishment with goodwill on both sides and a desire to arrive at a settlement.

The war situation is drawing nearer home ; and already Rangoon, which was upto recently an integral part of India, has gone through her blood-bath. May Providence protect India. But we cannot adopt a complacent attitude that India will be free from all such attacks. Is it fair and patriotic to stay in separate tents, sulking at each other, when a great danger threatens our Motherland ? I should, therefore, appeal to the Congress leaders, the Muslim League leaders, and leaders of all other parties and communities to unite into one cohesive whole in the common interests of India. The business community, I may assure you, is anxious for a settlement, and will be greatly disappointed if steps are not taken to bring about communal unity and harmony. They have got sufficient confidence in the statesmanship and patriotism of the leaders to believe that a settlement between the two major communities will be accomplished in near future.

Air Raid Precautions

If the war comes nearer, and if we also have to undergo all the bitter experience of so many people in different countries of the world, we shall have to pay careful attention to the measures we shall have to take to save the people, to safeguard their property, to offer amenities and comforts to the wounded, etc. All these measures come under one term : *Air Raid Precautions.* The terrible casualties in Rangoon are indicative of what should be done and what should not be done at a time of crisis like air raids. Your Committee are circulating instructions which may well be useful in such a crisis. My own idea is that all our people, including businessmen, should earnestly, strongly and zealously take up the A. R. P. work wherever possible and otherwise co-operate with the A. R. P. At the same time, I should like to urge that Government should, considering the gravity of the situation, have Indian Officers in responsible positions. I say this not because I want to start any controversial question at present, but because it would only be Indian Officers who can understand and appreciate the feelings and sentiments of the people and who will be able to rally them also to any work of the A. R. P. or any other defence work or salvage work, which may be

intended to be taken. I should strongly urge that Government should take into their confidence responsible and influential leaders of various communities. . It is the hush-hush policy which leads to all sorts of baseless rumours, which ultimately are responsible for much of the panic. Government may well consider the difficulties of transport, in co-operation with such leaders. It is these transport difficulties which will give rise to a critical situation, if they are not tackled in time and a well-thought-out plan is not laid out. Government can very definitely and clearly help the people by letting the public have some idea with regard to their policy regarding evacuation, if that has to be resorted to at any time. I am quite sure that a policy of liberal confidence and trust will beget the confidence and trust on the part of the public and there will be no hesitation with regard to offering such active help and co-operation as are needed in these times of crisis. If Government accept the suggestions of the leaders of the public, it will result in making their task easy, and we shall have been saving unnecessary harassment to the public, particularly middle classes.

Transport Shortage

Ever since the war began in 1939, there has been an increasing demand on the transport system of the country. The usual stocks of rails and rolling machinery are found inadequate to cope with the totally changed circumstances we witness today. The absence of regular supplies of locomotives and rolling stock from overseas has further added to the strain on our transport system. The present position of our means of communications—especially as it exists on railways—was thus summarised by the Hon'ble the Communications Member in November last, in the course of his speech at the Railway Conference held at New Delhi :—

> "Speaking here a year ago, I said that on the Railways, the repercussions of the war had not as yet been grave. That is not the position today. In many directions, the Railways have had to make big sacrifices, and with reduced resources have to meet exceptional demands. Three large

workshops have been handed over for war supplies and a considerable amount of the capacity in others is turned over to meeting the demand of the Armed Forces. Railway track has to be sent overseas or taken to meet defence demands within India. The lines we have been compelled to lift represent only a fraction of the total rails set free by relaying and reserves of rails have also had to be given. Railway equipment and stores are being surrendered for India's far-flung lines of defence ; these include so far about 200 locomotives and over 10,000 other vehicles with various ancillary equipment."

Viewed in the light of these observations made by the Hon'ble Member, one wonders if the authorities concerned had not visualised the possibility of an additional strain that would be put on the resources of the transport system of the country during the period of the war. In a Press Note, issued some time back, the authorities acknowledged that orders for locomotives placed as far back as 1937 were not executed till the middle of 1941 and there was no possibility of their being fulfilled in the near future.

Both the Middle and the Far East form our Defence fronts at present and the despatch of 200 locomotives and 10,000 wagons may be interpreted as building up our Defence Works. At the same time, in a situation like the present, through which we are passing, the transfer of railway equipment of this size may tell heavily on our trade and industries. Trade and industries are concerned at present to a very large extent with India's own Defence and with the production and supply of munitions and armaments for war purposes. In modern wars, foodstuff, cotton and cotton piecegoods and all such articles are munitions of war ; and if owing to the shortage of locomotives and wagons it is not possible to move all this stuff at the right time and proper place, we are bound to suffer. Government should see that there is no depletion of wagons and locomotives and no further depletion should be made from their present stocks. Government will also have to be ready with a perfect and efficient transport organi-

sation in case evacuation has to be resorted to for certain towns and cities.

Your Committee brought to the notice of the Authorities a large number of instances of hardship which the commercial community were experiencing. These instances bear out what I have been saying, *viz.*, that the shortage of wagons has resulted in disorganising trade and industries in certain directions. Thousands of bags of sugar, for instance, are lying at certain stations for being despatched to their destinations where they are badly required. The same is the case with cotton which is required by mills both in Ahmedabad and Bombay ; coal which is required by railways as well as mills and other factories ; food-grains which are so very badly required by consumers when prices were soaring high or are made to soar high by profiteers ; and all this can be reasonably avoided if we have got sufficient number of wagons and locomotives to move them. The trouble about the wagons was almost anticipated by the Special Officer, Mr. J. T. Day, appointed by the G. I. P. Railway to investigate the transport question in all its aspects. His report contained a frank acknowledgment that during the months February-May, 1941 there was a very serious congestion on the G. I. P. Railway and anticipated that the traffic during the busy season would be heavier than that during the past year. It is a sad commentary that inspite of the warning of the Special Officer of a probable and likely demand for more wagons, the authorities seem to be practically doing nothing to alleviate the ever-increasing congestion.

The arrangement of road transport is equally discouraging and faulty. The various restrictions imposed on road transport under the Motor Vehicles Act, work as deterrents to carry load at long distances and with heavier tonnage than would be warranted under the Act. The petrol rationing order has been further instrumental in curtailing the available means of road transport. If, as a measure under war conditions, the authorities advise us to adjust ourselves to limited means of transport—both passenger and goods—we

cannot conceive how the authorities do not feel it justified, during war time, in relaxing certain porvisions under the Motor Vehicles Act, which are imposed during peace time. Even Mr. J. T. Day, in the course of his several conclusions, observed : (*a*) that restrictions regarding the number of permits granted by the Regional Transport Officer for road transport vehicles, should be relaxed and permits should be granted freely ; and (*b*) that the maximum laden weight should be increased. It is understood, in this connection, that the Central Provinces Government have relaxed the restrictions on the laden weight from 12,320 lbs. to 14,500 lbs. I suggest, in the interests of trade, commerce and industry, that the various Provincial Authorities will do likewise and allow a greater tonnage to be carried.

With these words, Gentlemen, I second the proposal for the adoption of the Report and the Accounts.

Mr. Haridas Madhavdas, the Incoming Vice-President, after thanking the members for having elected him to that office, supported the proposal for the adoption of the Report.

In the general discussion that ensued, the following members participated :—

Mr. Sarabhai Prataprai
„ Keshavprasad C. Desai
„ Mangaldas B. Mehta
„ B. S. Dabke
„ Manu Subedar, M.L.A., and
„ M. A. J. Noble.

The proposal for the adoption of the Annual Report and the Audited Statement of Accounts for the year 1941, was then put to the vote and carried unanimously.

The result of the Election of Office Bearers of the Chamber for the year 1942 was read and recorded.

Mr. Keshavprasad C. Desai proposed that Messrs. Vithaldas & Co., be appointed Auditors for the year 1942 and

that the remuneration for the work be fixed at Rs. 200 per annum.

The same was seconded by Mr. Thakorelal H. Vakil and on being put to the vote was carried unanimously.

Mr. Sarabhai Prataprai proposed a hearty vote of thanks to the Chair.

The same was seconded by Mr. Dhirajlal C. Modi and on being put to the vote was carried with acclamation.

The meeting then terminated. "

CHAIRMEN OF THE INDIAN MERCHANTS' CHAMBER

1907—13	Sir Manmohandas Ramji.
1913—14	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1914—15	Sir Fazulbhoy Curimbhoy, C.B.E.
1915—16	Sir Dinshaw Edulji Wacha.
1916—17	Sir Lallubhai Samaldas, C.I.E.
1917—18	Sir Vithaldas D. Thakersey.
1918—19	Sir Chunilal V. Mehta, K.C.S.I.
1919—20	Mr. Jehangir Bomanji Petit.
1920—21	Mr. Lalji Naranji.
1922	Sir Purshotamdas Thakurdas, C.I.E., M.B.E.
1923	Sir Fazulbhoy Curimbhoy, C.B.E. (from 24-2-23 to 3-9-23).
	Mr. Devidas Madhowji Thakersey (from 4-9-23 to 25-1-24).
1924	Sir Manmohandas Ramji.
1925	Sir Phiroze C. Sethna, O.B.E.
1926	Mr. Lalji Naranji.
1927	Mr. Walchand Hirachand.
1928	Sir Shapurji B. Billimoria, Kt., M.B.E. (from 31-1-28 to 20-3-28).
	Sir H. P. Mody (from 30-2-28 to 17-7-28) and
	Mr. L. R. Tairsee (from 28-7-28).
1929	Mr. L. R. Tairsee.
1930	Mr. Hooseinbhoy A. Lalljee.
1931	Sir Chunilal V. Mehta, K.C.S.I.
1932	Mr. B. N. Karanjia (till November).
	Mr. Mathuradas C. Matani (November to January).
1933	Sir Manmohandas Ramji.
1934	Mr. Mathuradas Vissanji.
1935	Mr. Manu Subedar.
1936	The Hon'ble Sir Rahimtoola Chinoy, Kt.
1937	The Hon'ble Mr. Govindlal Shivlal Motilal.
1938	Mr. Gordhandas G. Morarjee.
1939	Mr. J. C. Setalvad.
1940	Sir Chunilal B. Mehta.

1941 Mr. M. C. Ghia.
Secretary: Mr. J. K. Mehta.
Assistant Secretaries: Mr. A. C. Ramalingam, and
Mr. K. P. Daru.

CHAMBER'S REPRESENTATIVES ON PUBLIC BODIES—1941

Representative in the Legislative Assembly (Central)
Mr. Manu Subedar, M.L.A.

Representative in the Bombay Legislative Assembly
Mr. M. C. Ghia, M.L.A. (Bombay).

Representatives on the Board of Trustees of the Port Trust
1. Sir Purshotamdas Thakurdas, C.I.E., M.B.E. (Cotton).
2. Mr. B. N. Karanjia (Piecegoods).
3. Mr. Ramdas Kilachand (Grain and Seeds).
4. Mr. M. A. Master (General).
5. Mr. Sankalchand G. Shah (General).

Representative on the Bombay Municipal Corporation
Mr. Bhawanji A. Khimji.

Representative on the Advisory Committee of the Bombay Development Department
Mr. Manu Subedar.

Representative on the Indian Central Cotton Committee
Sir Chunilal B. Mehta.

Representative on the Advisory Committee of the Royal Institute of Science in Bombay
Mr. Kapilram H. Vakil.

Representatives on the Local Advisory Committee of Railways
G. I. P. Railway:—
Mr. Gordhandas G. Morarjee.

B. B. & C. I. Railway :—

Mr. Dhirajlal C. Modi.

Representatives on the Panel of the Railway Rates Advisory Committee

1. Sir Purshotamdas Thakurdas, Kt., C.I.E., M.B.E.
2. Mr. Manu Subedar.
3. Mr. Mathuradas Vissanji.
4. Sir Rahimtoola Chinoy.
5. Mr. Kapilram H. Vakil.

Representative on the Governing Body of the Indian Mercantile Marine Training Ship "Dufferin"

Mr. M. A. Master.

Representative on the Senate of Bombay University

Mr. Mangaldas B. Mehta.

Representative on the Traffic Control Committee (Bombay)

Mr. Mohanlal A. Parikh.

Representative on the Board of Communications

Mr. Keshavprasad C. Desai.

Representative on the Indian Sailors' Home Committee

Mr. M. A. Master.

Representative on the Board of the Bombay Telephone Co. Ltd.

Mr. Vithaldas D. Govindji.

Representative on the Sydenham College Advisory Board

The Hon'ble Sir Rahimtoola M. Chinoy, Kt.

Representative on the Ramniranjan Anandilal Podar College of Commerce

Mr. M. C. Ghia, M.L.A.

Representatives on the Panel of Employers under the Industrial Disputes Act

Mr. J. C. Setalvad.
„ M. M. Amersey (1942).

Mr. Behram N. Karanjia.
„ M. C. Ghia.
„ M. A. Master.

Representative on the Provincial Transport Authority under the Motor Vehicles Act

Mr. J. C. Setalvad.

Representative on the War Supplies Advisory Committee, Bombay

Mr. M. C. Ghia.

Representative on the Prohibition Research Advisory Board

Sir Chunilal B. Mehta.

Representative on the Panel of Advisers re: Priority Recommendations for Import of Machinery (1942)

Mr. M. C. Ghia.

OFFICE-BEARERS FOR THE YEAR 1942

President

Mr. J. C. Setalvad.

Vice-President

Seth Haridas Madhavdas.

Members of the Committee

Elected:

1. Mr. Vithaldas D. Govindji.
2. „ Ratilal M. Nanavati.
3. „ Gordhandas G. Morarji.
4. „ Manmohandas M. Amersey.
5. „ Amritlal Kalidas.
6. „ Madhavlal M. Bhatt.
7. „ R. G. Saraiya.
8. „ Bhawanji A. Khimji.
9. „ Chimanlal B. Parikh.

10. Mr. Chhotabhai S. Patel.
11. „ Sankalchand G. Shah.
12. „ Vijaysinh Govindji.
13. „ Mathuradas Canji Matani.
14. „ Nagindas T. Master.
15. „ Nandlal M. Bhuta.
16. „ Nandvadan J. Gor.
17. „ Dhirajlal C. Modi.
18. „ B. M. Bhargava.
19. „ B. S. Dabke.
20. „ Sarabhai Prataprai.
21. Prof. Sohrab R. Davar.
22. Mr. H. C. Captain.
23. „ Thakorelal H. Vakil.

Co-opted :

(3 Individual Members)

1. Sir Cowasji Jehangir, Bart., K.C.I.E., O.B.E., M.L.A.
2. Mr. Fazal Ibrahim Rahimtoola.
3. Seth Pranlal Devkaran Nanjee.

(15 Association Members)

1. The Grain Merchants' Association (Seth Khimji Shamji).
2. The Bombay Shroff Association (Mr. Jayantilal Maneklal Shah).
3. The Bombay Bullion Exchange Ltd. (Mr. Lachhmandas H. Daga).
4. The Maharashtra Chamber of Commerce (Mr. M. L. Dahanukar).
5. The Bombay Grain Dealers' Association (Mr. Khimji Madan Bhujpuria).
6. The Seeds Traders' Association (Mr. Ratilal M. Gandhi).
7. The Indian Insurance Companies' Association (Mr. Mathuradas Dwarkadas).
8. The Bombay Rice Merchants' Association (Mr. Mahomedhusein H. Premji).
9. The Bombay Iron Merchants' Association (Mr. A. A. Jasdanwala).

10. The Chamber of Income-tax Consultants (Mr. Bhogilal C. Shah).
11. The Indian National Steamship Owners' Association (Mr. H. M. Desai).
12. The Bombay Cotton Merchants' & Muccadams' Association (Mr. Purshotamdas H. Shah).
13. The Silk & Art Silk Mills Association (Seth Ramdeo A. Podar).
14. The Association of Electrical Undertakings, Bombay Province (Mr. N. C. Jhaveri).
15. The Association of Indian Importers of Dye-stuffs (Mr. K. H. Kabbur).

Ex-Officio :

1. Mr. Manu Subedar, M.L.A. (Central).
2. „ M. C. Ghia, M.L.A. (Provincial).
3. Sir Purshotamdas Thakurdas, C.I.E., M.B.E. (Bombay Port Trust).
4. Mr. M. A. Master (Bombay Port Trust).
5. „ Behram N. Karanjia (Bombay Port Trust).
6. „ Ramdas Kilachand (Bombay Port Trust).
7. Sir Chunilal B. Mehta (Indian Central Cotton Committee.
8. The Hon. Sir Rahimtoola M. Chinoy (Sydenham College of Commerce).
9. Seth Chatrabhuj Gordhandas (Trustee of the Chamber).
10. Mr. Keshavprasad C. Desai (Board of Communications).
11. „ Mangaldas B. Mehta (Bombay University Senate).
12. „ Kapilram H. Vakil (Royal Institute of Science).
13. „ Mohanlal A. Parikh (Bombay Traffic Advisory Committee).

Mr. J. K. Mehta, M.A. (*Secretary*).
„ A. C. Ramalingam (*Assistant Secretary*).

LIST OF JOURNALS AND PERIODICALS RECEIVED IN THE LIBRARY OF THE INDIAN MERCHANTS' CHAMBER

Quarterly

1. Journal of the Council for Scientific and Industrial Research (Australia).
2. The Journal of the Indian Institute of Bankers.
3. *Round Table.

Bi-Monthly

1. Industrial Safety Survey (International Labour Office).

Monthly

1. *Monthly Bulletin of Statistics issued by the League of Nations.
2. International Conciliation.
3. London Chamber of Commerce Journal.
4. Monthly Journal of the Liverpool Chamber of Commerce.
5. " " " Manchester " "
6. " " " Bradford " "
7. The Commercial Review, Alleppey.
8. Southern India Commerce.
9. *National Geographical Magazine.
10. Mercantile Guardian.
11. *International Labour Review.
12. Bombay Labour Gazette.
13. Monthly Sea-borne Trade Return of British India.
14. Monthly Statistics of Cotton, Shipping and Weaving in Indian Mills.
15. Trade at Stations adjacent to Land Frontier Routes.
16. Raw Cotton Trade Statistics.
17. Joint Stock Companies.
18. *Modern Review.
19. *Asia.
20. Indian Concrete Journal.
21. Monthly Review of the Lloyds Bank.
22. " " " National City Bank of New York.
23. " " " Federal Reserve Bank.

*Subscribed for by the Chamber.

24. Mysore Economic Journal.
25. Tisco Review.
26. *Fortune (U. S. A.).
27. Financial Times.
28. *Times (London) Trade and Engineering Supplement.
29. Safety News,
30. *Indian Textile Journal.
31. *Indian Home.
32. Burma Trade Journal.
33. The Ceylon Trade Journal.
34. Journal of the Motion Picture Society.
35. Public Information Series.
36. Austral News.
37. Quaranty Survey.
38. *New Indian Antiquary.
39. Marketing in India.

Fortnightly

1. Insurance Review.
2. *Income-tax Report.
3. Journal of the Joint Stock Companies.

Weekly

1. *Economist.
2. *New Statesman and Nation.
3. *Commerce, Bombay.
4. *Indian Finance.
5. Indian Trade Journal.
6. Commerce Reports (U.S.A.).
7. Industrial and Labour Information (I.L.O.).
8. *Bombay Government Gazette.
9. *Gazette of India.
10. Commerce and Industry.
11. *Harijan.
12. *Roy's Weekly.
13. Weekly Market Report by Messrs. Premchand Roychand.
14. *Indian Social Reformer.
15. The Financial News.
16. *Kesari (Bi-Weekly).

17. Annalist.

Occasional

1. Central Legislative Assembly Debates.
2. Council of State Debates.
3. *Publications of the International Labour Office.
4. Indian Tea Statistics.
5. Indian Coffee Statistics.
6. Indian Agricultural Statistics.
7. Wholesale Price of certain Staple Articles of Trade at Selected Stations in India.
8. *Publications of the League of Nations.
9. Bulletins issued by the United States Bureau of Labour Statistics.
10. Bulletins issued by the Government of Bombay, Department of Industry.
11. Bulletins issued by the Government of Bombay, Agricultural Department.
12. Bulletins issued by the Council of Agricultural Research Commonwealth of Australia.
13. Reports of several Chambers of Commerce and other Commercial Associations.
14. Reports of Tariff Board.
15. Publications issued by the Department of Commercial Intelligence and Statistics.

Gujerati Periodicals

1. Gujerati Punch (Weekly).
2. Khetiwadi Vignan.
3. Bhagyoday.
4. Prasthan.
5. Majur Sandesh.
6. Suvas.
7. *Khadi Jagat.
8. *Khadi Patrika.
9. *Harijan Bandhu.

REPORT OF THE COMMITTEE
OF
THE INDIAN MERCHANTS' CHAMBER

For the year 1941 presented at the 34th Annual General Meeting of the Chamber held on 29th January 1942.

Your Committee have pleasure in presenting the 34th Annual Report of your Chamber. During the course of the year 43 meetings of the Committee and over 90 meetings of the various Sub-Committees were held, the work done being of a varied and important nature.

The subjects dealt with by your Committee have been grouped under the following main heads :—

(1) Transport and Communications, (2) Finance, Tariff and Taxation, (3) Trade, Industrial and Labour Legislation, (4) General Trade and Industry, and (5) General.

I. TRANSPORT AND COMMUNICATIONS.

Scarcity of shipping tonnage for importing Burma Rice.

The Committee in their communication dated 20th February to the Government of India supported the complaint of the Rice Merchants' Association, Bombay, addressed to Government with regard to the shortage of shipping space for importing Burma rice. They stated that owing to the scarcity of shipping space for the rice trade, heavy port requirements were not being met, with the result that the price of rice had gone up and scarcity of supply was being felt by the trade. It was urged that Government should release as much shipping as possible for the transport of rice from Burma.

In this connection, the Committee sent a telegram to the Federation of Indian Chambers of Commerce & Industry dated 19th March urging them to represent the complaint regarding the shortage of shipping space for Burma rice to Government, as the matter had become very urgent owing to the depletion of existing stocks of rice as also due to the failure of current crops in the country. It was suggested that the Federation should also table a suitable resolution at their annual meeting in this connection.

Difficulties regarding Shipping Space for Export Cargo.

The Committee in their communication dated 19th March 1941 addressed to the Government of India invited their attention to the difficulties with regard to securing shipping space for export cargo and the consequent loss that would be suffered by the exporters. In one instance, the Committee stated, the exporters had shipped a consignment of seeds per s.s. "City of Agra" to Halifax and the freight was paid up to the final destination. The steamer en route called at Calcutta and was suddenly requisitioned by His Majesty's Government. The consignment as a result was unloaded at Calcutta and stored there at the exporter's risk pending transhipment. In another intsance,

the exporter had booked consignments of almonds on two steamers for Vancouver. The exporter, however, was informed by the Bombay Agents of the Steamship Company that both the ships had been requisitioned by Government, as a result of which the consignments in question were awaiting next sailing when available. Further in this instance old contracts of freight rate had been raised by 100% for fresh booking. In another case, the exporter had booked a consignment of vegetable oils and oil-cakes to be shipped to Suez. Ultimately the shipping company accepted only a part of the consignment and the remaining lot was stranded on account of requisition of space by Government. While realising the difficulties that would be experienced with regard to shipping space at the present time, the Committee pointed out that the representative of the British Ministry of Shipping had been placing certain number of ships at the disposal of the British India Steam Navigation Co., Ltd. for the purpose of coastal trade. The Committee, therefore, suggested that some ships might also be diverted for purposes of export trade. The Committee urged Government to consider the above difficulties of the Indian exporters and to take steps to provide necessary shipping space at an early date.

The Government of India in their reply dated 8th April 1941 requested that proof and amount of loss suffered by the merchants in question might be supplied to the representative of the Ministry of Shipping in Calcutta. With regard to the suggestion of the Committee to make available extra ships for Indian export to overseas they stated that some of the ships placed at the disposal of the British India Steam Navigation Co., were already being used in export trade from India. They stated that it was not possible to release the ships plying between India and Burma in view of the present position of the coastal trade of India, for Indian export trade. Government in a further communication dated 23rd April on the subject suggested that the shippers interested in the export of vegetable oils and oil-cakes might be asked to get into touch with the Mogul Line, Ltd., regarding their requirements for shipping space.

The Committee in a further communication dated 28th November on the subject, informed Government that the shipping company in question had not been alloting freight space for export of groundnut seeds to Suez for the reason that only measurement cargo was being accepted on account of higher rate secured on such freight. The Committee contended that under the existing circumstances the shipping company should not be at liberty to choose the type of cargo that would carry a higher freight rate and a fair proportion of the space available should be allotted also to essential export articles like groundnut seeds. They also complained that it was difficult to secure freight space for groundnut seeds to Pacific Coast ports as the available space was allotted to cargo like almonds, walnuts, etc., which secured a higher freight rate. They pointed out that groundnuts were included in the priority list for allocation of freight and therefore a fair share of available tonnage should be allotted for export of the seeds.

The Committee in a telegram addressed to the Government of India on 26th June 1941, drew their attention to the difficult situation arising out of the inability of the exporters to obtain freight space for cargoes awaiting shipment to ports of Aden, Sudan, Jeddah and Suez. The Committee were informed that the absolute refusal of shipments to these ports by the Shipping Companies was due to the exclusive requisitioning of available freight space for Government cargo. In view of the urgency of the demands of these goods at the other end, the Committee urged Government to give prompt attention to this grievance and arrange for the provision of some space for export cargo intended for ports in question.

Shipping Freight on Hemp.

The Committee in their communication dated the 16th May 1941, addressed to the Controller of Shipping, drew his attention to the heavy disparity in freight rates for transport of Hemp as between Bombay and Calcutta. They stated that the freight rate from Calcutta to London was 87 shillings per ton per 50 cubic feet, while from Bombay to London it was 102 shillings per ton of 40 cubic feet. It was obvious that

owing to this disparity, Bombay had lost valuable trade which it would have been possible for Bombay to secure if the shipping freight for the commodity in question was equal to that of Calcutta to London. They informed the Controller that as the distribution of freight space for the transport of different commodities was under his control and that as such control also covered the fixing of the actual freight rates, it was but just and proper that he should consider the case for facilities for exporters of hemp from Bombay and to see that such exporters were fairly dealt with in relation to Calcutta exporters.

Allocation of Space for Shipment of Wool.

The Committee in their letter dated 5th June addressed to the Government of India, referred to the arrangement whereby shippers of wool would be allotted space for shipment of wool in proportion to their share of such shipments during the 3 years previous to the war and stated that the said arrangement was not applicable to shipments from Kathiawar ports, viz. Bedi Bunder, Jamnagar, Navlakhi, etc. The Committee requested Government to persuade the Kathiawar Port Authorities also to abide by the above arrangement introduced for British India ports, as otherwise, shipments from Kathiawar ports would secure an indirect preference over shipments from British India ports. Government in their reply dated 2nd July, 1941, while admitting the difference in respect of Kathiawar ports, stated that the frequency and total amount of shipping visiting a port was a matter of more important consideration than the type or the system of the distribution of freight space and gave an instance in point that the Navlakhi port had no sailing to the United Kingdom since January last.

Transport of Cargoes from Australia to Bombay.

At the instance of a member firm, the Committee addressed the Government of India on 15th April, 1941, draw-

ing their attention to the hardship experienced by the trade in Bombay on account of the transhipment of cargoes consigned for Bombay from Australia at Colombo. They informed Government that much unnecessary delay was caused by such cargoes being shipped to Bombay from Colombo by another steamer. The Committee regretted that Bombay was thus placed in an unfavourable position *vis-a-vis* Calcutta and Madras, which had direct sailing from Australia. They informed Government that this difficulty was experienced also in case of cotton which had to be sent from Bombay to Calcutta by train and from there shipped to Australia by steamer.

The Committee urged, under the circumstances, to provide direct sailings both outward and inward to Australia and to Bombay as the trade between Bombay and Australia was increasing.

Port Charges on Cargoes for Port Sudan unloaded at Bombay.

As published in the report of the Committee for the year 1940 the Committee at the request of the Indian Chamber of Commerce, Calcutta, had addressed the Bombay Port Trust in the matter of cargoes unloaded at Bombay by certain steamers *en route* to Port Sudan and had made a request to the Port Trust authorities to waive the extra dock charges incurred by the consignors of the said cargo. The Port Trust in their reply dated 26th March 1941 informed the Committee that they had allowed remission of one-third single extra fees levied on such cargoes.

Shipping Representative of the U. K. Ministry of Supply.

The Committee received a copy of a Memorandum issued by the Shipping Representative in India of the Ministry of Supply, giving details of the functions and duties of that officer, as also in regard to shipments of commodities in which the Ministry of Supply was directly or indirectly interested. The Memorandum *inter alia* pointed out that the Shipping Representative was not concerned with individual contracts

between buyers and shippers except in so far as they concerned the actual shipment of the goods ; that his duty included all matters in connection with shipments of and allocation of space for goods in which the Ministry of Supply was directly or indirectly interested, and that import licences granted to buyers in the United Kingdom did not necessarily mean that priority shipping space would be made available.

Madras Port Trust Amendment Bill.

In reply to a letter dated 26th April 1941 addressed by the Government of Bombay regarding the Madras Port Trust Amendment Bill, the Committee while welcoming the Bill, regretted that the proposals of Government as embodied in the Bill did not go far enough. In the opinion of the Committee, the constitution of the bodies like Port Trust should be evidently framed to give the nationals of the country a predominant voice in the administration of the same which provision was not traceable in the proposed bill. The Committee did not agree that the representation of commercial interests should be on the basis of the direct interests in the import and export trade of the port whereby European commercial interests would be predominantly represented. Under such a basis the interests of the real Indian exporters and importers would be ignored as much of the outward and inward trade passed through European commercial houses many of whom were only acting as indenting agents. They objected to the proposal of giving four seats each to Indian and European commerce and stated that the Indian commercial interests should have more representation than that proposed under the Bill. They also opposed the idea of arranging representation of commercial interests on specific branches of commerce and particular trades and suggested that such representation should be secured through an Indian Chamber of Commerce or a European Chamber of Commerce existing in the presidency concerned.

Appointment of a Solicitor for the Bombay Port Trust.

As published in the report of the Committee for the year 1940, the Committee had advised the Trustees representing the Chamber to move for the creation of a Legal Department in the Bombay Port Trust. Failing this, if the appointment of a professional solicitor was to be continued, they had suggested that an Indian solicitor should be appointed in that capacity. At the meeting of the Committee held on 23rd April 1941, Sir Purshotamdas Thakurdas, a representative of the Chamber on the Bombay Port Trust explained that as the Finance and General Committee of the Port Trust had by majority recommended the renewal of the appointment of Messrs. Little & Co., as solicitors, the representatives of the Chamber on the Port Trust had agreed to a *via media*, whereby the post of the solicitor should be indianised or, in the alternative, there should be a Legal Department in the Port Trust at the end of a certain period to be decided by the Trustees which should not in any case exceed five years from 1st May 1941, or the period when Mr. Lillie might retire, whichever was earlier. The Committee approved of the action taken by the Trustees representing the Chamber.

Waivure of Extra Dock Charges.

The Committee in a communication dated 1st May addressed to the Bombay Port Trust requested that they should waive the extra dock wharfage charges incurred on consignments meant both for Bombay and Ahmedabad on account of the riots which had occurred in the two cities, as such consignments could not be removed on account of the riot situation prevailing in Bombay and on account of the booking to Ahmedabad being closed also on account of the riot situation prevailing there. The instance of the Gujerat Floods in 1927 was referred to when the railway communication had been suspended as a result of which consignments awaiting despatch to stations in Gujerat were exempted from extra fees. They also referred to the Bombay riots in several years when these extra dock wharfage charges were waived.

The Bombay Port Trust in their reply dated 18th June informed the Committee that remission of 2/3rds of the accrued extra fees in the case of rail-borne consignments ex dock for Ahmedabad and other stations to which bookings were either suspended or restricted owing to the disturbed condition in the city was sanctioned by the Trustees.

As regards remission of extra fees on account of riots in the Bombay City, the Committee were requested to supply information as to the particular localities of the city in which conditions made it difficult for taking delivery of goods. The Committee accordingly issued a circular to the Members of the Chamber requesting them to supply the information to the Port Trust authorities.

Removal of Wreckage from the Port Trust Waters.

It will be recalled that the Committee had addressed the Bombay Port Trust with regard to the clearance of the wreckage within the limits of the port as a result of the cyclone that had struck Bombay stating that it was the duty of the Port Trust to clear out such wreckage to facilitate the movement of shipping in the port, as published in the Report of the Committee for 1940. The Port Trust in their reply dated 25th June 1941, stated that while the trustees as Conservators of the port might remove such wreckage, there was no legal obligation on their part to do so. They, however, informed the Committee that all the obstructions caused by the last cyclone were in due course removed by them.

Central Advisory Committee for Lighthouses.

The Committee cast their votes in favour of the following gentlemen for election as representatives of the Federation of Indian Chambers of Commerce and Industry on the Central Advisory Committee for Lighthouses :—

Mr. M. A. Master.

Mr. G. L. Mehta.

Mr. Kaikobad Cowasji Dinshaw.

Subsequently the following gentlemen were elected :—
Mr. M. A. Master.
Mr. G. L. Mehta.
Mr. Haridas Lalji.

Interview with Sir Leonard Wilson, Chief Commissioner of Railways.

In an interview which the Committee had with Sir Leonard Wilson, Chief Commissioner of Railways on 5th August, 1941, the following questions were discussed :—

1. Railway Rates and Fares—Surplus Revenue Position and Relief to users.
2. Refusal of the B. B. & C. I. Railway to appoint surveyors for assessing damages.
3. Wagon Shortage.
4. Limit for excepted articles under Section 75 of the Indian Railways Act.
5. Traffic Amenities.
6. Unit of Weight for parcels.
7. Standard conditions of contract for supply of stores.

Purchase of B. N. W. and R. K. Railways.

Pursuant to the opinion of the Committee that the control of the remaining company-managed railways as and when the termination of the agreements with them became due should be taken over by Government themselves, the Committee sent a telegram to the Government of India suggesting that they should exercise the option for the purchase of the B.N.W. and R.K. Railways in 1942 and accordingly should give the requisite notice by the end of this year. The telegram stated that the present time was quite opportune to exercise the option of such purchase in view of the large accumulated surplus Government sterling balances in London. It is announced that Government have since given notice for purchase of the Railways in 1942.

Closing of the Boriavi-Vadtal Railway.

The Committee were informed that the Boriavi-Vadtal Railway was to be closed under orders of the Railway Board.

This railway, which is about 4 miles in length, was specially constructed for and used by a large number of pilgrims going to the Swami Narayan Temple at Vadtal. The Committee thereupon sent a telegram on the 19th December, 1940, to the Railway Board protesting against the scrapping of this railway which would mean much inconvenience for the pilgrims as well as for other traffic. It was pointed out that before the construction of this railway, the railway company had asked for an assurance from the Local Board as well as the Temple authorities that bus traffic on the road would not be encouraged. Under the circumstances the construction of a well-constructed road along the route had not been taken in hand and the difficulties therefore were the greater by the unexpected orders for scrapping the line. The Committee in a further communication to the Board on the same date informed the Board that other small railways in other parts of the country were also being closed and desired to know the reasons that had actuated Government to take such a step. Even if these small lines were not economically good, there was no reason for scrapping them as they were after all constructed for the use and benefit of the public. The Committee informed Government that upto now they had not advanced any such proposition that railways which were not working economically should be scrapped. They therefore urged to stay their orders for the scrapping of such railways.

The Railway Board in their reply dated 23rd December, 1940, informed the Committee that the order for scrapping the above railway was suspended. They, however, reserved their right to discontinue the said railway if necessity arose.

Preferential Treatment in the Allotment of Wagons.

The Committee in a telegram dated the 15th May 1941, addressed to the Government of India, protested against the preferential treatment in the allotment of wagons to certain parties on the basis of instructions issued by Government or priority certificates granted by the Agent of the Ministry of Food Shipments on the ground that the consignments in question were intended for the Ministry of Food. They

stated that such preferential treatment affected adversely the transport requirements of trade and commerce. They urged that if such preference was necessary for the movement of war supplies, it should be made available uniformly for all parties having direct or indirect share of orders for such supplies.

Interview with Mr. J. T. Day, Officer on Special Duty, Re: Wagon Shortage.

On the 17th June 1941 the Transport Sub-Committee of the Chamber had an interview with Mr. J. T. Day, Officer on Special Duty, when difficulties regarding wagon shortage were discussed.

Transport Shortage.

The Indian Merchants' Chamber, the Bombay Chamber of Commerce, the Bombay Millowners' Association, the East India Cotton Association, the Marwari Chamber, the Grain Merchants' Association and the Indian Roads and Transport Development Association, jointly sent a telegram to the Government of India inviting their attention to the grave situation arising out of the existing shortage of transport from and to Bombay. The telegram referred to the inadequacy of transport facilities of food and grain on the G. I. P. Railway and stated that the restrictions on road transport had worsened the situation. These joint signatories, therefore, suggested to appoint an executive officer to investigate and co-ordinate all forms of transport for the purpose of relieving the present situation as also to plan ahead for future transport difficulties which would arise on account of war demands. They suggested that a Senior Government Officer should be sent to Bombay to discuss the matter under reference. Accordingly, the Government of India sent Mr. K. G. Mitchell to Bombay to meet the representatives of the abovementioned bodies. As a result of this conference, the abovementioned bodies passed a resolution unanimously recommending Government for the appointment of an executive officer with full powers to investi-

gate and co-ordinate all forms of transport, road, rail and water.

In this connection, the Indian Merchants' Chamber further suggested that the Co-ordinating Officer referred to in the resolution should be an Indian which suggestion was also forwarded for consideration of Government.

Wagon Shortage.

In a letter dated 27th November 1941 addressed to the Chief Traffic Manager, G.I.P. Railway, the Committee drew the attention of the Railway to the difficulties that were being experienced as a result of wagon shortage. The following cases were referred to for consideration by the authorities :—

1. The Co-operative Purchase and Sales Society, Kopergaon, were experiencing transport difficulties in respect of *gur* and its effect on prices of *gur* as a result of wagon shortage.
2. Disastrous effect that the shortage of wagons will have on the cotton trade during the coming busy season.
3. Stocks have steadily mounted to about 20,000 sugar bags and 5000 tins of oil at Diksal station on account of wagon shortage.

Supply of wagons for cotton seed traffic for Navsari.

At the instance of the Indian Cotton Oil Mill, Navsari, the Committee addressed the Chief Traffic Manager, G.I.P. Railway, drawing his attention to the stoppage of booking of cotton seeds from Burhanpur and Amraoti to Navsari *via* Amalner. It was pointed out that the season for securing oil-seeds was in progress and if arrangements were not made for transport of the seeds, the factory in question would be put to loss and inconvenience. It was also pointed out that the factory had contracted to supply linters for export purposes and, therefore, inadequate supply of seeds owing to the stoppage of wagon facilities would cause considerable hardship to the factory. It was urged that early arrangements should be

made to supply them with wagon facilities. The G.I.P. Railway in their letter dated 15th January assured the Committee that steps were being taken to supply wagons as expeditiously as possible.

Shortage of wagons on Dhond-Manmad Section.

The Committee sent a telegram dated 10th January 1941 to the Railway Board drawing their attention to the scarcity of wagons on Dhond-Manmad section of the G.I.P. Railway. They pointed out that large quantities of consignments of sugar were remaining undelivered as a result of this shortage of wagons causing much inconvenience to the trade concerned. They urged that immediate steps should be taken to supply adequate number of wagons and thus relieve the shortage. The Railway Board, in their reply dated 14th January assured the Committee that all possible steps were being taken to improve the situation.

Shortage of wagons in the Central Provinces.

At the instance of a member-firm, the Committee addressed the Chief Traffic Manager, G.I.P. Railway on the 17th February drawing his attention to the shortage of wagons on G.I.P. Railway in the Central Provinces with regard to traffic in wheat. It was pointed out that wheat purchased by the firm in question was lying at several stations awaiting despatch to Bombay. The Committee urged that the day to day requirements of the firm could not reach them on account of shortage of wagons and it would be difficult for the firm to carry on business. The Committee urged that immediate attention should be paid with regard to the supply of necessary wagons for conveying wheat from C. P. to avoid difficulty to the public.

Wagon Shortage for Transport of Coal.

On receiving representations from member-firms, the Committee on 16th May 1941, addressed the Chief Mining Engineer and Chairman, Coal Wagon Supply Committee drawing

his attention to the difficulties experienced by the Industrial consumers of coal in the Presidency on account of the restriction in booking in force over the railways. In this connection, the Committee pointed out that the railway authorities themselves had in the past requested the merchants to secure their supplies of coal during the slack season with a view to avoid the difficulty that might be experienced for the provision of wagons during the busy period. In view of this, the merchants had actually entered into commitments for the supply of coal to industrial consumers in the slack season. They stated that in spite of the persuasion of the railway authorities to secure supplies in the slack season, the shortage of wagons had become so acute during the last two months that only 3 to 5 per cent of the allotment of wagons for coal was obtainable by the merchants. In view of the hardships thus suffered by the Industrial consumers of coal, the Committee urged that steps should be taken to improve the situation by making arrangement for adequate supply of wagons for transport of coal.

In this connection, the Committee also addressed the Chief Traffic Manager, G.I.P. Railway, complaining that not more than 50 wagons per day were booked *via* Katni-Murwara and that the position created by this restriction was proving a hardship to the Industrial consumers of coal. They urged that adequate facilities should be provided for securing more wagons for the transport of coal on the G.I.P. Railway.

The G.I.P. Railway in their reply dated 22nd May explained that the shortage of coal passing *via* Katni-Murwara was due to the traffic passing *via* that junction being restricted. They, however, stated that the total number of wagons *via* that junction was being increased. The Committee in their reply dated 25th June desired to know how far the number of wagons had been increased *via* that junction which would help them to appreciate the increased facility made available. The information given to the Committee in this connection was that not even 6% supply on the basis of the collieries was available during the last three months and that some of the merchants had hardly received 1% of the orders

they had placed. They also desired to know by which other *vias* wagons were being received for Bombay and whether all these *vias* were being kept open all throughout.

The G.I.P. Railway in their reply dated 3rd July informed the Committee that the railway was now accepting a total number of 250 wagons per day *via* Katni-Murwara. It was, however, represented to the Committee again that the allotment of wagons had subsequently been curtailed and transport of coal was made difficult. The Committee, thereupon, in their communication dated 28th July 1941, again brought to the notice of the G.I.P. Railway, the difficult position that had arisen on account of shortage of supplies of wagons and requested that the matter should be again looked into.

Surcharge on Railway Freight on Coal.

The attention of the Committee was drawn to a notification issued by the Railway authorities to the effect that as usual the additional surcharge of 5 per cent on railway freight on coal this year would be for the period of 5 months : 1st December 1941 to 30th April 1942, and recommending to the consumers the desirability of building up advance stocks of coal before 30th November. In this connection, the Committee addressed a letter on 13th September to the Railway Board pointing out how on account of the shortage in the supply of wagons it had not been possible for the consumers to build up stocks of coal during the slack season and urging that the question of increased surcharge should be deferred till the problem of wagon shortage had been satisfactorily dealt with.

The attention of the Committee was again drawn to circulars issued by the Railway Companies to coal suppliers and consumers drawing their attention to the coming into force of the additional surcharge during the above months and urging them in the meanwhile to build up stocks during slack season. While on the one hand the railways were stressing the importance of building up stocks in the slack season, on the other they were not able to meet even the normal

demands for supply of wagons for the transport of coal. The Committee in a communication addressed to the Chief Traffic Manager, G.I.P. Rly., on 1st November, drew his attention to the above unfortunate position and pointed out that in view of the inability of the Railway to meet the demand for wagons, the appeal to build up stocks during slack season had no meaning and that therefore the whole question required to be re-examined. They reiterated the case for non-enforcement of the additional surcharge during the said months under the circumstances.

Booking of Coal to Manganese Depot, Bombay.

Complaints were received from coal merchants, having depots at the Manganese Depot Station that their despatches of public coal were not received regularly at the depot. The Committee thereupon sent a telegram on 28th November to the Chairman, Coal Wagon Supply Committee, wherein it was stated that about 80 wagons were at present provided daily, whereas arrangements existed for handling daily at the said depot about 160 wagons. They added that the trade was prepared to co-operate with the authorities in the matter of unloading speedily wagons received at the depot. The Committee suggested that the Manganese Depot should be thrown open for all demands, priority and public, and that 160 wagons should be allowed to be carried daily. The Coal Wagon Supply Committee in their reply dated 5th December informed the Committee that under instructions from the Railway Board the booking of public coal to the Manganese Depot was being restricted to prevent coal for priority supply and for bunkering steamers being mixed up with public consignments.

Booking of traffic from Santh Road Station.

A complaint was received from a member-firm that difficulties were being experienced on account of booking of consignments from Santh Road Station being stopped at certain times without notice. The Committee requested their representative on the B. B. & C. I. Railway Local Advisory Committee to take up the matter in that body.

Congestion in Inward Sheds at Wadi Bunder.

This question had been the subject of discussion and correspondence between the Chamber and the authorities of the G. I. P. Railway. A Conference of representatives of this Chamber and certain other commercial bodies on the one hand and the Chief Traffic Manager and the General Traffic Manager of the G. I. P. and the B. B. & C. I. Railways, respectively, on the other, was held on 17th September, when the problem was discussed in all its aspects. Certain proposals for easing the situation were discussed and as a result thereof it was decided to devise means to secure greater coordination in dealing with the matter between the commercial public and the Railway authorities.

In this connection a letter was received from the Chief Traffic Manager, G. I. P. Rly., in which it was suggested that if the merchants felt that if the Goods Depot was kept open for removal of goods on Sundays, the same would be facilitating clearance, the Bombay Government might be approached for such relaxation in the requirements of the Shops and Establishments Act as would permit clearing and ancillary work being done on Sundays. After fully considering the above suggestion, the Committee in a letter dated 1st November, addressed to the Chief Traffic Manager, pointed out that the working of the recent efforts for expeditious clearing should be watched and that the Railway should increase their staff, if necessary, for securing a more satisfactory result. If, however, the experience of such working indicated that further efforts to speed up movement was necessary, Sunday working on a voluntary basis might be tried. At the same time, the Committee made it clear that, in their opinion, it was not at present necessary to approach Government for any relaxation in the provisions of the Shops and Establishments Act. They added that even if the Depot was kept open on [illegible] existing rule for treating such days as *dies* wharfage should not be withdrawn.

The Chief Traffic Manager, G. I. P. Railw. dated 7th November again emphasised the seri

question of meeting the increased inward traffic that the Railway would have to face from December onwards and suggested that if Sunday was made a working day, the capacity of the goods sheds for inward loading would be increased. The Committee in their reply dated 28th November informed the Chief Traffic Manager that there were practical difficulties in introducing Sunday working in the sheds for the purpose of clearance from the Wadi Bunder sheds. They pointed out that even on the basis of the existing working days greater results could be achieved if more facilities were offered to the public by the Railway by increasing the Railway staff. They also suggested that a meeting should be convened of the interests concerned to discuss the matter further.

Increase in Wharfage Rate by the G. I. P. Railway.

At the request of the Wadi Bunder and Carnac Bunder Carting Agents' Association, the Committee addressed the Chief Traffic Manager, G. I. P. Railway protesting against the increase in wharfage rate at Wadi Bunder, Byculla and Dadar from half an anna to one anna per maund. The Committee were informed that the object of this increase was to effect more expeditious removal of the goods from the sheds to facilitate movement of wagons. The Committee felt that the delay in clearing such goods was partly due to the inadequacy of the railway staff for dealing with the same. They pointed out that the railway authorities had not increased the number of persons on the staff to meet the situation. Under the circumstances, it was not fair to penalise the public by increasing the wharfage rate.

The Railway in their reply dated 2nd June informed the Committee that they had taken active steps to improve the facilities for delivery of goods with a view to removing the congestion in the sheds and invited the co-operation of merchants for removing this congestion by the speedy removal of goods from the sheds. Assurance was, however, given that the Goods Superintendent, if approached by any party, would look into particular cases and remove their grievances wherever possible in the matter of extra wharfage charges.

The Committee in their reply dated 13th June suggested that if an extra charge was necessary in view of the congestion in the sheds, the wharfage and demurrage rules might be modified on the following lines :—

1. The first 24 hours after the arrival of the goods (available for delivery) should be free ;
2. the next 24 hours wharfage may be charged at ½ anna per maund ; and
3. after the second day, i.e., after 48 hours, the wharfage may be charged at 1 anna per maund.

They also suggested that the changes effected in the free time and in the rate of wharfage should be in force only till the restoration of more normal traffic conditions.

The Committee in this connection also addressed the B. B. & C. I. Railway protesting against the increase from 6 pies to one anna per maund in wharfage rates at Carnac Bunder Goods Depot and suggested to amend the rules so that the increased rate of one anna would apply only to goods remaining uncleared after 48 hours.

The G. I. P. Railway in their reply dated the 21st June, 1941, informed the Committee that many years prior to 1937, wharfage rates were charged on the scale of increased rates and that during such period the rates were not found excessive by the public concerned. They, however, promised to consider the graduated charge suggested by the Committee when normal traffic conditions were restored.

Catering Contracts over Railways.

As published in the report of the Committee for the year 1940 the Committee had submitted their views regarding the question of catering contracts over railways to the Local Advisory Committee of the B. B. & C. I. Railway, through their representative. The representative of the Chamber on the Advisory Committee placed before the Committee of the Chamber an abstract of the proceedings of the Local Advisory Committee of the B. B. & C. I. Railway in connection with the

catering arrangements. The Committee noted the contents of the same and requested the representative to report further developments.

Appointment of Surveyors to Assess Damages.

On 10th January 1941 the Committee had addressed the B. B. & C. I. Railway regarding the difficulties experienced by merchants as a result of the railway refusing to appoint independent surveyors to assess loss or damage to consignments of goods while under the charge of the railway administration. They supported the attitude taken up by the Grain Merchants' Association in favour of appointing independent surveyors and stated that surveys by independent surveyors were a recognised procedure for settlement of disputes between railways and merchants concerned. They referred to the G. I. P. and B. P. T. railways who had recognised the procedure of settling such matters by survey when desired by the parties concerned and stated that the B. B. & C. I. Railway should also adopt the same procedure. The B. B. & C. I. Railway in their reply dated 18th February 1941 stated that they were unwilling to introduce such a system for assessing damages for various reasons. The Committee in a further communication dated 8th May 1941 addressed to the Railway stated that the reasons given by them in justification of their attitude towards independent surveyors were unconvincing. The possibility of the Goods Agent underestimating loss from the point of view of merchants could not be ruled out altogether. The Committee stated that the appointment of independent surveyors was a sound commercial principle and instances quoted by the railway company of exaggerated awards by independent surveyors could not detract from the merits of the principle. The Committee urged that the question required urgent reconsideration by the railway.

Unit of Load for Linseed.

The unit of transactions for linseed in the Bombay markets is 25 tons and usually the seed is also transported over the railways in units of 25 tons. It was pointed out to the

Committee by the G. I. P. Rly. that inasmuch as the average carrying capacity of a wagon was 20 to 22 tons, the present practice of transporting linseed in units of 25 tons was found to be uneconomical from the point of view of the wagon usage. The Railway, therefore, suggested that the trade might be persuaded to adopt a 20 ton unit so that a single wagon could conveniently transport the full quantity of such a unit.

The Committee after consulting the Marwari Chamber of Commerce and the Grain Merchants' Association, who were directly interested in the matter, pointed out the practical difficulty in adopting the suggestion inasmuch as forward trading on the basis of the unit of 25 tons had already been done on a large scale and goods in respect of such contracts to be tendered in the year 1942 would have to be on the basis of such unit. The Committee therefore requested the Railway not to proceed further with the proposal.

Coir Matting on Railway Platforms receiving Oil Casks.

The Committee addressed the G.I.P. and the B.B.&C.I. Railways on 6th November 1941 drawing their attention to the damage done to oil casks which were being deposited on the railway platforms in the goods yards which had no coir matting spread on them as was provided in the past. The Committee stated that owing to the absence of coir matting on railway platforms, the casks, while being deposited on the platforms, struck against the stone flooring and suffered damage resulting in loss of oil. The B.B. & C.I. Railway in their reply dated 1st December informed the Committee that it was not the practice of the Railway to spread coir matting on platforms and that the Railway staff took necessary care while transferring such casks from the platforms to the wagons which would prevent damage. The G. I. P. Railway in their reply dated 12th December, 1941, agreed to supply adequate number of cushions on the platforms if the present arrangement was found inadequate.

Corridor Trains.

The Chamber's representative on the Local Advisory Committee of the G. I. P. Railway in his letter dated 4th December referred to an item on the Agenda of the Advisory Committee regarding the provision of corridor trains and desired the opinion of the Committee on the same.

The Committee in their letter dated 17th December informed the representative that they were not in favour of such a provision, as the question involved a major issue and could not be decided in view of the present critical situation.

Madras Express—Stoppage at Diksal Station.

The Maharashtra Chamber of Commerce by their letter dated 3rd January 1941 forwarded a copy of their letter addressed to the Chief Traffic Manager of the G. I. P. Railway, Bombay, suggesting to arrange a halt for the Up and Down Madras Express at Diksal station. The letter stated that Diksal was a station on the Poona-Raichur Section of the G. I. P. Railway and served as a railhead for passengers and goods traffic to and from places such as Kalamb, Indapur, Akluj, etc. The letter explained that by halting the Madras Express at Diksal station, the Railway would get increased traffic as the area was rapidly growing into a centre of commercial importance. The Committee referred this matter to the representative of the Chamber on the Local Advisory Committee of the G. I. P. Railway with a request to do the needful in the matter.

First and Second Class Waiting Room at Belapur Station.

The attention of the Committee was drawn to the absence of facilities for passengers at the Belapur station. As the town of Belapur had recently developed into an important industrial centre, the traffic had increased on the Belapur station and the absence of first and second class waiting room facilities was acting as a hardship to the passengers. The Committee requested their representative on the Local Advisory Committee of the G. I. P. Railway to take up this matter with the Railway authorities.

Facilities at Goregaon Station.

The attention of the Committee was drawn to the absence of facilities at Goregaon station in the matter of suburban trains halting at the station, facility of an overbridge on the eastern side of the station to avoid a long detour on the part of the passengers to reach the main platform, etc. The Committee requested in this connection their representative on the B. B. & C. I. Railway Local Advisory Committee to take up the matter in that body.

Facilities for Lady Passengers at Rewari Junction (B. B. & C. I. Ry.).

In response to a complaint received through the Federation of Indian Chambers of Commerce and Industry regarding certain hardships experienced by lady passengers at Rewari Junction, the Committee requested their representative on the B. B. & C. I. Ry. Local Advisory Committee to take up the matter with that Body with a view to getting the above grievances removed.

The representative of the Chamber on the Local Advisory Committee in his reply dated 5th April stated that the authorities were not in a position to provide the facilities required for lady passengers at Rewari Junction in view of the prevailing conditions.

Need for a New Railway Station between Sion and Kurla.

It was represented to the Committee that residents of certain localities near about Kurla were considerably inconvenienced by the absence of a Railway Station between Sion and Kurla and the Committee were requested to approach the Railway authorities for the provision of this facility. The Committee thereupon requested the representative of the Chamber on the Local Advisory Committee of the G. I. P. Railway to move in the matter.

References from the Indian Railway Conference Association.

Oils.—The Committee addressed the Indian Railway Conference Association on 23rd May, 1941, pointing out that the existing classification of oils required revision as under the present classification the grouping of oils under different heads led to much confusion and suggested a list of heads under which the different oils should be classified.

Sandalwood Roots.—Regarding the proposal to raise the classification for this article, the Committee informed the Railway Conference Association by their letter dated 26th November, 1941, that such a change was not justified, because the roots need not necessarily yield a larger quantity of oil and that much depended on the quality of the wood itself.

Technical Hardened Oil and Vegetable Tallow.—With regard to these articles, the Committee agreed that the same should be classified at 2A R.R. and 2 O.R.

The Committee also dealt with references with regard to the classification of the following other items :—

(1) Spirit Level ;
(2) Lattice supports, poles, pole caps and stay rods ;
(3) Manganese sulphate ; and
(4) Arrow-root flour.

Measured Rate System for Telephones.

At the instance of the Mahratta Chamber of Commerce and Industries, Poona, the Committee strongly opposed the proposal for introducing a measured rate system for telephones in Poona, in their communication dated the 7th April, 1941, addressed to the Director-General of Posts and Telegraphs. They referred to a similar proposal by the Bombay Telephone Co. Ltd., in 1925 for having the measured rate system in Bombay and the strong opposition they had put up against the said proposal, as a result of which the proposal had been dropped. In their opinion, the country needed encouragement for using telephone communications. In view of the poor development of trade and industries, the measured rate system would make the use of telephones

costly and therefore would discourage the use of such easy communication which was necessary for facilitating the growth of commerce. The Committee urged that Government should continue the present rates and should encourage the introduction of telephone system in all the leading towns and cities if not in villages.

Change in Telephone Numbers.

In their communication dated 31st May, 1941, the Committee represented to the Bombay Telephone Co. Ltd., the inconvenience that was caused to subscribers by frequent changes in their telephone numbers and cited a case in which the subscriber had his number changed twice within the period of about one year, although in previous correspondence on this subject the Telephone Company had stated that such changes would be made only in cases where operational reasons were considered necessary, the Committee pointed out that in the instance cited by them, no such reasons of an operational character could be put forward. The Committee also enquired whether such frequent changes were made in the case of party lines on account of operational reasons. The Bombay Telephone Co., Ltd. in their reply dated 2nd July, assured the Committee that such changes in numbers were made only when they were unavoidable. With regard to party lines, the Company explained that as no new party lines were now being installed and as many party lines were being changed to direct exchange lines, changes in numbers of the existing party lines would be found more frequently necessary in the future.

Prohibition on the Use of Codes in Foreign Telegrams.

At the instance of a member-firm the Committee addressed the Government of India on 29th April 1941 drawing their attention to the difficulties caused by the refusal on the part of postal authorities for the transmission of ordinary trade messages containing certain terms and numerals familiar to the trade which referred generally to specification numbers, etc. They referred to certain instances in which certain specification

numbers indicating particular quality, etc., and stated that although these terms might appear to be codes to those not aware of the trade practices, they were in fact ordinary usual trade terms which could not constitute a code. The Committee suggested that if, however, Government were not in a position to allow transmission of such specifications in due course, they might introduce a system of filing or registering such specification numbers together with the details of the specifications with the Censorship authorities with a view to enable the parties concerned to use such specifications without infringing the war-time regulations under which such foreign telegrams were prohibited. The Committee were also given to understand that such specifications sent by post were also objected to by the postal authorities which in the opinion of the Committee acted as a great hardship on the commercial community during the course of their business with foreign countries.

Maximum number of figures in reduced rate foreign telegrams.

At the request of the Indian Chamber of Commerce, Calcutta, the Committee addressed the Director-General of Posts and Telegraphs on 13th June, 1941 regarding the provision in Clause 451 of the Post and Telegraph Guide whereunder numbers written in figures, etc., in reduced rate foreign telegrams were not allowed to exceed one-third the total number of words in the text of the message which provision was prescribed according to the International Telegraph Regulations. The Committee in this connection stated that this restriction in the number of figures allowed in such telegrams was acting as a hardship on the commercial community in view of the disorganisation in transport of mails by sea as also by air. As code telegrams were prohibited the difficulty was the greater. It was emphasised that this regulation was framed in normal times and as under the present emergency the only form of communication available to trade as a result of the disorganisation of other transports, was telegraphic communication, the restriction was deemed avoidable. It was urged that Govern-

ment, after consulting the signatories to the International Telegraphic Convention, should relax the restriction. They also suggested whether the figures written in words might be accepted for the purpose of circumventing the restriction.

The Director-General in his reply dated 2nd July, invited the attention of the Committee to the International Telegraph Regulations, which were the basis on which the allowance of figures in such telegrams was fixed and expressed his inability to relax the Rule. He, however, suggested that the difficulty could be removed if the numbers required in the telegram were written in words instead of in figures.

Petrol Rationing.

On 7th August, 1941, the Committee sent a telegram to the Government of India protesting against the unduly harsh restriction on the supply of petrol under Government's Petrol Rationing Order for the whole of India. While admitting the necessity for some control to check private use of petrol in order to ensure supply for war requirements the telegram stated that the manner and method in which the object was sought to be achieved would entail considerable inconvenience particularly to the mercantile community. The basic ration allowed under the Order was extremely insufficient and had not taken due account of the practical realities of the situation. It was pointed out that the distance between industrial and commercial areas in a city like Bombay required reconsideration of the basic rationing. It was urged that considerably increased ration should be allowed for at least the industrial and commercial centres and that supplementary rations should be issued liberally.

On 14th August,-1941, the Committee also addressed a letter to the Government of India in this connection pointing out that the average distance between places of residence, business, factories, shops, etc., was much bigger in Bombay than in the mofussil and therefore the basic mileage of 200 miles was extremely insufficient for an industrial and commercial city like Bombay. The representation urged that the case of

bulk transport should be taken into consideration and rations in that regard should be considerably increased, otherwise there would be practical cessation of several trades such as the building trade, cotton trade, etc. Bullock driven transport had been practically eliminated and, therefore, if motor transport was subjected to such restrictions, trades and industries would suffer heavily.

Petrol Rationing and Manufacture of Power Alcohol.

In view of the seriousness of the situation created by the petrol rationing scheme promulgated by Government and the necessity for manufacturing new substitutes for petrol to alleviate the hardship that would be suffered by the public on account of the restriction placed on the movement of transport by petrol rationing, the Committee addressed the Government of India suggesting as an alternative to utilise molasses for the production of power alcohol. They regretted that Government had ignored upto now the requests of the public for utilisation of molasses even though they had established technical Committees and Boards consisting of experts and scientists for whom it was not impossible to find out a substitute for petrol. The Committee suggested that Government should enter into negotiations with sugar manufacturers and co-operate with them in getting such a substitute as a successful commercial product.

Restriction on Motor Transport.

On a representation being made to the Committee they addressed a letter to the Government of Bombay on 28th November 1941 drawing their attention to the Government proposal to issue not more than 150 permits only for public carriers in the North Deccan Region while the number of public goods vehicles owned by residents of that area prior to the enforcement of that regulation was estimated at 300. They also referred to the proposal to restrict the number of permits to vehicles from other areas to the maximum of 200. They stated that these additional restrictions on transport

would seriously affect the movement of goods in view of the already existing difficulties. It was also suggested that the permissible laden weight of goods vehicle should be increased with a view to make the best use of the available means of transport. It was added that the permissible capacity to carry goods might be increased consistent with the requirement of safety.

Provision of funds for Traffic Amenities.

It will be recalled that the Government of Bombay had promised to allocate a grant of one lakh of rupees for providing traffic amenities in the Bombay City in the shape of maintenance of roads, traffic islands, car park, etc. Government were, however, not in a position to set apart the sum promised for such amenities. In this connection, the Chamber's representative on the Traffic Advisory Committee drew the attention of the Committee to the urgent necessity of securing provision of funds from Government for giving further traffic amenities to the public. The Committee thereupon represented to the Government of Bombay by their letter dated 15th February 1941 drawing their attention to the urgency of provision of funds for the traffic amenities schemes. They pointed out that the Government of India as well as the Provincial Governments were getting revenue from motor taxation and it was but just that a part of this revenue should be diverted to provide traffic amenities. The Committee urged Government to reconsider their decision and allot a sum of one lakh of rupees for the purpose of the traffic amenities.

Government in their reply dated 19th February informed the Committee that provision had been made of a sum of Rs. 25,000 during the next financial year out of the Provincial Loans Funds for the traffic control requirements of the Bombay City.

Provincial Transport Board.

The Transport Advisory Council at its 5th session held in July 1941 recommended the establishment by Provincial

Governments of Board of Transport for the purpose of surveying the existing facilities for transport whether by road, rail or water and for considering how best the demands made by Government and the public could be met. The Committee in a letter dated 18th September addressed to the Government of Bombay drew the attention to the difficulties experienced at present on account of transport shortage, and urged that a Transport Board be established in Bombay at an early date so as to bring about the necessary co-ordination for all forms of transport within the Presidency. The Transport Board has since been established by Government and has begun to function.

II. FINANCE, TARIFF AND TAXATION.

Budget of the Government of India, 1941-42.

The Committee sent a telegram to the Finance Department of the Government of India on 3rd March 1941 giving their views regarding the Central Budget for the year 1941-42.

At the outset the Committee protested against the inordinate rise in the defence expenditure from 45 crores to 84 crores and stated that in the absence of any popular scrutiny or association of Indians in matters relating to defence, the cost of extra measures adopted since the war for defence purposes should be borne by the U. K., assumption being that many of the such extra measures were not directly in the defence of India. They pointed out that the reluctance of the people to bear these extra burdens was due to the lack of desire on the part of Government to substitute Indian officers in the defence machinery of Government. They also strongly objected to the view of Government that as sufficient number of officers could not be supplied by the U. K., recruitment of such officers would take place in the Colonies, implying that Indians in any case were barred from such services. Objection was taken to the statement of the Finance Member that the taxable capacity of the people of India had increased on account of the war. This they stated was challengeable as in rural districts as well as in urban areas the sources of income had either diminished or remained the same while the cost of living had gone up. They protested that the total tax burden on account of the war amounting to over 28 crores for the coming financial year alone, was most unjustified and their apprehension was that many items of the total burden of taxation would be made a permanent charge on the taxpayer. As a matter of fact, Government themselves were in search of measures which would enable the people to tide over the loss of continental markets and the difficulty of disposing of surplus stocks as well as the disastrous effect of low prices of

staple commodities, which went to show that Government themselves admitted the weak economic condition of the country. While objecting to the proposed increase in the rate of Excess Profits Tax and the surcharges on Income-tax and Super-tax they pointed out that the increase in surcharges on Income-tax and Super-tax constituted an unequal burden on the assessees whose incomes were fixed. In the opinion of the Committee these increases would prevent savings, discourage insurance and provision for old age and deteriorate the standard of living. The doubling of the Excise duty on matches was, they stated, a direct tax on the poor. They pointed out the disproportionate increase in prices of matches as a result of the Excise duty and requested Government to see that the match manufacturers were not getting more money from the people than what they were entitled to. Increase in the duty on artificial silk yarn would prove a setback to the new weaving units which were now being put up as a result of the existing margin between the duty on artificial silk yarn and imported artificial silk piecegoods. Government were requested to take steps to protect the interests of the weavers in case the duty on artificial silk yarn bore heavily on the weavers.

The Railway Budget, 1941-42.

The Committee issued a statement on 21st February 1941 containing their views on the Railway Budget presented to the Central Legislature for the year 1941-42. The position indicated a surplus of over Rs. 14 crores and commenting on this the Committee pointed out that the amount represented what had been taken away from the users of the railway in excess of what they should have been legitimately called upon to pay. It was pointed out that in such public utility undertakings the rates structure should be so based as to yield nothing more than what was necessary to run the system efficiently and a state of affairs in which the revenue yield was such as to leave an abnormal surplus indicated the need for an overhaul of the rates and freights basis. The Committee

in view of the comfortable revenue position reiterated the claim for the abolition of the surcharge of 12½% on goods traffic and 6¼% on passenger fares imposed in the previous year. They also pointed out that there would be no justification for increasing the coal surcharge during the busy season. They referred to the grievances about shortage of wagons, absence of sufficient provision for passenger amenities and to the need for reconsidering the policy in regard to road traffic. In connection with the proposal to dismantle certain railways as a war measure, they observed that it was reasonable to expect that the British Government should make good the capital loss to India on account of such a step and that the British Exchequer should not be merely called upon to pay the cost of the equipment transferred.

Budget Statement of the Government of Bombay for the year 1941-42.

The Committee in their communication dated the 31st March, 1941, addressed to the Government of Bombay, in regard to the Budget Memorandum for 1941-42 stated that in view of the very big surplus of 103 lakhs in the current year's revenue, it was expected that the burden of taxation on the public would be reduced. The Committee regretted the meagre relief given by the reduction of the Urban Immovable Property Tax from 10 to 8% and from 5 to 4%. They were of opinion that the rate of property tax should have at least been halved in view of the surplus in hand. While they had no objection to a reserve fund being instituted now and to utilising the same for the payment of an allowance to low-paid Government employees, they were of the view that Government should at the earliest opportunity, get the sanction of the same from the legislature. They referred to the sales tax on motor spirit which was levied in the year 1939 for providing finance in connection with the proposals relating to social and rural uplift and strongly recommended that the said tax should now be abolished as Government had now ample funds to

provide for the purpose for which the tax was levied. They suggested an increase in the additional grants provided on nation-building activities especially with regard to education, medicine and roads. The Committee were anxious to know as to why certain amounts sanctioned for nation-building activities were not disbursed by the departments concerned. They suggested that Government would be well advised to lay down a programme for reduction of taxation, utilisation of the surplus for nation-building activities and for building up a reserve fund as a reservoir in time of emergencies.

Interview with the Hon'ble Sir Jeremy Raisman, C.S.I., C.I.E., Finance Member of the Government of India.

The Committee on 17th July, 1941, met the Hon'ble Sir Jeremy Raisman, C.S.I., C.I.E., Finance Member of the Government of India, when the following questions were discussed :—

1. New Tax Burdens in relation to Economic Conditions.
2. Banking Legislation & Indigenous Bankers.
3. Increased Re-discount Facilities.
4. Refund on Import Duty on Art Silk Yarn used in Art Silk Piecegoods exported.
5. Income-tax Administration.

Interview with Mr. J. F. Sheehy, C.S.I., I.C.S., Member of the Central Board of Revenue and Mr. C. W. Ayers, C.I.E., Excess Profits Tax Adviser to the Central Board.

The Committee had an interview on 22nd July, 1941, with Mr. J. F. Sheehy, C.S.I., I.C.S., and Mr. C. W. Ayers, C.I.E., when the following points were discussed :—

1. Taxation of Non-resident Partnership—Section 4A(*b*).
2. Allowance of the Urban Immovable Property Tax—Section 9.

3. Best Judgment Assessment—no double penalty for the same offence—Section 23(4).
4. Carry Forward of Losses and of Depreciation—Section 24(2) and 10(2) (*vi*).
5. Carry Forward of Losses by a business subsequently converted into a Limited Liability Company—Section 24(2).
6. Summoning of Witnesses—calling for information—Section 37.
7. The limit for making reference to High Court—Section 66.
8. Administration.
9. Calculation of Depreciation—Rule 2 Schedule I (E. P. T.).
10. Borrowed Capital—Rule 5 Schedule I.
11. Managing Agent's Remuneration—Rule 7 Schedule I.

Letters of Credit.

It was pointed out to the Committee that the Exchange Banks when communicating to Shippers the opening of any credits generally qualify the advice that the liability of the shipper as the drawer of a Bill of Exchange was not released by the credit and that the documents in question would only be taken as collateral securities. Such a limitation on the scope of the credit, it was felt, was unfair to the shippers as their liability was to continue till the date of the final liquidation of the draft by the drawee. In a letter addressed to the Exchange Banks' Association on 16th September, the Committee pointed out that the limitation of the credit in the above manner was not justified and that the drawer should be absolved from any responsibility in respect of the credit as soon as the documents were parted with. In a reply dated 27th September, the Exchange Banks' Association pointed out that under an irrevocable or confirmed credit, the negotiating bank had full recourse on the drawer if the bills were dishonoured by the drawee, and that the endorsement complained of was, therefore, quite in order.

The matter was further discussed by the Committee in consultation with their Banking and Law Sub-Committees, and in their opinion the position taken up by the Association was not correct. They are, therefore, pursuing the matter with the Exchange Banks' Association, and have addressed a communication explaining the exact legal position and emphasising that the Banks were bound to make payments under Confirmed Letters of Credit without any limitation. A further reply has been received from the Association, which is at present receiving the attention of the Committee.

Withdrawal of Victoria Coins from circulation.

In a communication dated the 23rd January 1941 addressed to the Government of India, the Committee drew attention to the decision of Government to withdraw from circulation Queen Victoria Rupee coins and half-rupee coins, announced by an Ordinance in October last. They stated that the date after which such coins would cease to be legal tender allowed little time to the public in respect of such withdrawal. In the opinion of the Committee the sudden withdrawal of such coins which were in circulation for over a century now, would cause great hardship and inconvenience especially to the mofussil centres. The Committee had received information that much difficulty was being experienced by the refusal to accept Victoria rupee coins as a result of the decision of Government. Even the counters of commercial departments of Government like Post Offices did not freely accept Victoria rupee coins. They therefore suggested to Government that the withdrawal should not be in force as from 1st April 1941 and that a sufficiently longer time should be allowed for the purpose. They also pointed out that sufficient publicity with regard to the withdrawal of the coins had not been given particularly in rural parts where it takes considerable time to reach. It was suggested that notices in vernaculars should be displayed in all the Post Offices in the country. They therefore urged to extend the period of the withdrawal and in the meanwhile to give wide publicity especially in the rural areas with regard to the decision of Government.

The Government of India in their reply dated 15th February in connection with the extension of time asked for by the Committee stated that as all Treasuries, Post Offices and branches of the Imperial Bank would freely receive Queen Victoria coins till 30th September 1941 it was not considered necessary to extend the time limit beyond that date. They also informed that all possible steps had been taken to disseminate the information regarding the announcement of Government.

In this connection, the Committee addressed the Postmaster-General and the Presidency Postmaster, Bombay, on the 14th February informing them that the small suburban post offices were still not accepting the Victoria coins. It was urged that a circular in terms of the Government communique should be issued to the suburban post offices instructing to accept these coins with a view to remove the inconvenience felt by the public.

The Postmaster-General, Bombay, in his reply dated the 28th February 1941 informed the Committee that necessary instructions had been issued to all concerned about the acceptance of these coins. He also forwarded, for the information of the Committee, a copy of the Departmental circular instructing sub-post offices to accept freely Victoria coins upto the date of the withdrawal.

Refund of Import Duty on Artificial Silk Yarn used in Artificial Silk piecegoods exported.

It was represented to the Committee that an import duty on artificial silk yarn was levied by the Government of India as also a duty on the goods manufactured out of such yarn was levied by the country to which such goods were exported. Thus the manufacturers of such goods had to bear double taxation which had an adverse effect on the competitive capacity of such products in foreign countries. The Committee thereupon addressed the Government of India on 23rd January 1941 drawing their attention to this double taxation borne by goods produced from imported artificial silk yarn and stated

that in view of the present efforts to find new export markets for Indian manufacturers, the import duty levied on the importation of such silk yarn was a hardship for the trade and, therefore, it was suggested that the import duty collected on such yarn should be refunded as drawback. They invited the attention of Government to Section 43(*a*) of the Sea Customs Act whereby they were empowered in certain cases to grant a drawback. They also drew the attention of Government that such drawbacks on imported articles taken into use before re-exportation were allowed under the U. K. Customs Tariff also.

The Central Board of Revenue in their reply dated 19th August informed the Committee that the question of granting a rebate of duty had been deferred in view of the present international situation.

Export Duty on Rice in Burma.

In a telegram addressed to the Government of India on 20th February the Committee protested against the levy of an export duty on rice by the Government of Burma, and stated that although the Burma Government might have legal authority to levy such a duty under the existing Trade Convention, it was not fair for them to levy such a burden on the rice trade when the Indo-Burma trade relations were being discussed. The telegram requested Government to prevail upon the Burma Government to withdraw the levy of such a duty. It was also suggested that at least forward orders placed before the imposition of the duty should be exempted from the levy.

Levy of Customs Duty on Market Value on Provisions.

On receiving a representation, the Committee addressed the Collector of Customs, Bombay, on 25th April, drawing his attention to the recently introduced practice by the Customs authorities of recovering duty on some of the items of the provisions, on market value, instead of on invoice value. Be-

fore 1931 the provision trade was paying duty on market value, but in response to representations made by the trade interests, the duty was levied on invoice value thereafter. The Committee regretted this change to market value again as the fluctuations in prices were frequent, and owing to the disorganisation in sea transport regular supplies were not assured. Under the circumstances, it was difficult to ascertain the market value on a fair basis and as a result, the importers were obliged to pay duty on values which had no relation to the prices at which the goods in question were imported. The Committee suggested that in cases where the importers were getting their supplies direct under indent system and where supplies were not received through the medium of any representative or agent in India of the exporters at the other end, the duty should be recovered on the invoice value and not market value. They however had no objection to the duty being levied on market value in case of goods which were distributed by direct representatives of exporters at the other end.

The Collector of Customs in his reply dated 2nd July informed the Committee that all provisions except Quaker Oats were assessed to duty on their invoice value under Section 30(B) of the Sea Customs Act and not on their market value under Section 30(A) of the Act.

Import Duty in Burma on Indian Films.

Following the recent Indo-Burma Trade Agreement, the Government of Burma levied a duty on exposed cinematograph films imported from India into that country. In this connection, the Government of Burma had proposed to levy an equal rate of duty on import of films from India and from other countries including America. But in response to representations made both on behalf of the Indian producers and distributors and the exhibitors in Burma, Indian Films were made liable to a duty of 15% *ad valorem* calculated on the basis of a tariff value of 7 pies per foot for exposed standard positive feature films and 3 pies per foot for other exposed standard positive films, while the corresponding duty on films

of Non-Indian origin was maintained at 37½% *ad valorem* based on a tariff value of 7 pies per foot. The Committee having received a representation in this regard from the Indian Cinema Industry, addressed the Government of India on 19th May 1941, informing them that it was difficult for Indian Films to be imported and shown in Burma even at the revised scale of duty on an economic basis. They also informed Government that it was not possible to transfer the burden of the duty to the cinema-going public as the scale of rates in cinema houses were more or less standardized. The Committee having been given to understand that the present scale of duty was provisional and that the same would be re-examined at the end of 3 months, urged Government to watch the effect of the present rate of duty on imports of Indian films into Burma and to secure the necessary readjustment of the rate which might be found beneficial to the Indian Cinema Industry.

The Government in their reply dated 11th July, 1941 assured the Committee that the operation of the present rate of duty on imports of Indian Films into Burma was under their observation. They, however, informed the Committee that the scale of rate payable in Ceylon was higher than that in Burma. They stated further that the duty in Burma on a film of 12,000 feet long, worked out to Rs. 66 and that they were of opinion that, as such, the scale of rates in Burma could not be considered as excessive.

Import Duty on Cocoa Beans.

It was pointed out to the Committee that the existing import duty of 25 per cent on Cocoa beans stood in the way of the development of the Cocoa manufacturing industry in the country, as after paying the duty at the rate, the Indian Cocoa product was not in a position to compete with the imported stuff. The Committee thereupon in their letter dated 8th September, requested the Government of India to permit importation free of duty of cocoa seeds and beans from countries within the Empire as was the case in respect

of such imports in the U. K. and Australia. Government however did not agree to the above suggestion.

Inclusion of Export Control Fees and Assessment of Duty on Sundry Articles from Japan.

The Committee had addressed the Collector of Customs, Bombay, on 26th July 1941 in connection with the Customs circular regarding collection of duty on sundry articles imported from Japan which stated that sundry articles imported from Japan not assessable on market value would be assessed to duty on their landed cost which would include Export Control fees recovered in Japan. The circular required documentary evidence to be produced regarding the amount of export control fees paid in Japan. The Committee explained in this connection that generally the amount of fees paid to the Japanese Export Trade Control Association was included in the C.I.F. prices and it would be difficult for the importers to get particulars of the same separately, from the Japanese shippers. The Collector of Customs, Bombay, in his reply dated 20th November informed the Committee that if invoices showing the export control fees recovered by the Export Control Association or separate receipts from the Association on account of such fees, were produced, they would be deemed as sufficient evidence for the purpose.

Import Duty on Mercury, Red Lead, Camphor and Old Newspapers.

In the past, import duty on articles like Mercury, Red Lead, Camphor and old newspapers was being collected on the basis of fixed tariff values. But after the war, these items, among certain others, were removed from the schedule in question, and duty on the same was being collected *ad valorem* on the basis of the market value. The Committee thereupon addressed the Director-General of Commercial Intelligence and Statistics on 19th May 1941, drawing his attention to the difficulties arising from the removal of these items from the list of fixed tariff schedule. They stated that the prices of these articles

were subject to sharp fluctuations, particularly during war conditions. The result was that it was difficult to ascertain a stable market value for these articles for the purpose of assessing duty and the merchants had to pay duty on values that had no relation to the prices on which the goods in question might have been purchased. Under the circumstances, they urged that the tariff values for the above articles should be prescribed and their prices should be fixed in advance for the purpose of assessment of duty as was done in the past.

Fixation of Tariff Values and Agricultural Produce Cess Act.

The Director-General of Commercial Intelligence and Statistics in his communication dated 23rd December 1940 informed the Committee that the question of fixing Tariff Values for articles on which Cess was leviable under the Agricultural Produce Cess Act, 1940, was under consideration by Government and desired suggestions to enable him to draw a tentative list of the articles which could conveniently be assigned to the Tariff Value.

The Committee in their reply dated 16th January stated that as the commodity markets were uncertain and as there were wide fluctuations in prices of commodities, they were opposed to such fixation of Tariff Values for the purpose of collecting Cess under the Act. They suggested that the practice of collecting the same on the basis of market value or on the invoice value should be continued till normal conditions were restored.

The Internal Trade Sub-Committee of the Chamber had an interview with the Director-General of Commercial Intelligence and Statistics in this connection when they reiterated their previous opinion on such fixation of Tariff Values. They, however, informed the Director-General that if the Government were bent upon fixing such Tariff Values, the Chamber should be consulted before fixing the same.

The Import-Export Sub-Committee of the Chamber had an interview with the Director-General of Com-

mercial Intelligence and Statistics on 5th May 1941 when the provisional tariff values proposed by Government for the purpose of fixing tariff values under the Agricultural Produce Cess Act were discussed in consultation with merchants interested in the trade.

Proposed Changes in the Tariff Classification.

In reply to the letter dated 13th August, 1941, addressed to the Committee by the Director-General of Commercial Intelligence and Statistics regarding the proposed changes in the Tariff Classification notified under the Government Notification dated 14th September 1940, the Committee in their communication dated 8th September stated as under :—

"ITEM NO. 8 IN THE FIRST SCHEDULE OF IMPORT TARIFF"

Under the above item, it was proposed that the tariff valued head "Figs dried, European" should be deleted. The Committee, however, were of opinion that the same should be maintained in the tariff valued list with the remarks "no import and no value assigned", the reason being that it would be very difficult to get the same re-introduced when it was found necessary in future.

Difficulties under the Existing Provisions of the Indian Income-tax Act.

The Committee sent a representation to the Government of India on 14th March 1941 pointing out certain difficulties experienced under some of the existing provisions of the Indian Income-tax Act and the administration thereof.

SECTION 26 — PARTNERSHIPS

Under the present provisions of the Act the division of partnership profits and loss is governed by the constitution of the firm during the accounting year and not the assessment year. But for the purpose of registration under Section 26A it was insisted that the firm must be in existence at the time

of the assessment also. The result would be that a partnership which was discontinued or a partnership which was succeeded by a new firm or an individual would be denied the benefit of registration and would be taxed as an unregistered firm. The Committee, therefore, suggested that steps should be taken to amend the rules so as to give the partners who were partners during the duration of the accounting year the benefit of registration by registering the firm as it existed during the accounting year.

They also pointed out that in assessing the income resulting from joint ventures the Department was not observing a uniform practice. Assessment was made regarding such joint ventures on the basis of unregistered firms or registered firms whichever would result in more revenue to Government. Joint ventures were mainly temporary partnerships entered into for a single transaction and therefore such partnerships would not be in existence at the time of assessment. Therefore, registration in such cases was difficult. They requested Government to bear this instance of hardship in mind and remove same by a suitable amendment.

Section 35 — Rectification of Mistakes

With regard to rectification of mistakes under Section 35, where an appeal could not lie against the decision of the officer, it was suggested that provision for an appeal under Section 30 against any decision or assessment of the officer as a result of the proceedings under Section 35 should be made.

Dividend Income

The Committee were given to understand that difficulties were experienced in the absence of dividend vouchers by persons who received income by way of dividends. It was pointed out that in many cases such vouchers remained in possession of the person from whom the shares were purchased. The Committee requested that instructions should be issued that where the officer was reasonably satisfied that the amount was taxed at the source in the hands of the com-

pany, the shareholder should not again be called upon to pay the tax merely because of the absence of the voucher.

In response, the Board notified certain amendments to the rules under which a dissolved firm would be entitled to registration only if an application was made to that effect before the date of dissolution. As the change proposed did not materially improve the position the Committee addressed a further letter to the Board on 26th June pointing out the practical difficulties inherent in the restrictive nature of the amended provision and reiterating the case for allowing the benefit of registration to dissolved firms without any limitation in regard to the time for making applications for registration.

Regarding assessment of joint ventures the Board replied on 23rd May 1941 to the effect that instructions were being issued that profits of temporary non-recurring joint ventures of short duration should be assessed in the hands of the partners. The Committee are in further communication with the Board regarding the exact implication of the conditions mentioned in Government's reply for treating such joint ventures to be in the nature of registered partnerships.

Regarding collection of tax on dividend income the Central Board of Revenue stated that instructions had been issued to accept a certificate of sale endorsed by the original holder of the share or a certificate countersigned by an official of the Stock Exchange in place of a company's dividend certificates where they cannot be produced. The Committee are in further communication on the point about double taxation of the same dividend income where such certificates are not produced.

Revision of Section 35 of the Indian Income-tax Act on lines of Section 24 of the English Finance Act, 1923.

In a communication to the Central Board of Revenue dated 12th September, the Committee drew the attention of the Board to the narrow and restricted nature of the "Errors and Mistakes" provision in the Indian Act, which was confined

to the rectification of clerical errors apparent from the records only, whereas under the amended Section 24 of the Finance Act, 1923, of the United Kingdom, a person who paid income-tax assessed under Schedule D or E was entitled to apply for relief, if it was alleged that the assessment was excessive by reason of some errors or mistakes in the Return or Statement made by him. The Committee therefore suggested that a broader view in this regard should be incorporated in the Indian Act and that steps should be taken to amend Section 35 of the Indian Income-tax Act on the above lines of the English Act.

Income-tax Difficulties.

On 9th April 1941 the Committee addressed the Central Board of Revenue drawing their attention to certain difficulties experienced by assessees in the matter of the interpretation of certain provisions of the Income-tax Act which are briefly as under :—

Vacancy Allowance

Section 9 of the Income-tax Act as amended last year provided that the relief in respect of vacancy would be allowed on the basis of the gross annual value instead of on the net value as in the past. The Committee urged that the relief as per the amendment should also be given to all assessments pertaining to the year 1940-41 even though they may have been completed before the coming into force of the amended provision.

Appellate Assistant Commissioners' Orders

The Committee were given to understand that the decisions of the Income-tax Appellate authorities were not being uniformly respected by the Income-tax officers. The result was that the assessments which were reversed in appeal were again adhered to by the Income-tax authorities. The Committee urged that instructions should be issued that the deci-

sions in appellate proceedings should be deemed as a matter of guidance for Income-tax officers in subsequent assessments.

Hindu Undivided Family and Registration

Partnership registration granted to firms which originated from Hindu Joint Families were in some cases being challenged in subsequent years and such partnerships were asked to adduce fresh proofs of actual partition. In the opinion of the Committee, the refusal of registration in such instances constituted a hardship to the assessees. They therefore requested the authorities to give the benefit of registration to such firms who produced proof of *de facto* partition under the requirements of Hindu Law.

Urban Immovable Property Tax

It was suggested that the amounts paid in Bombay under the Urban Immovable Property Tax should be deducted in connection with assessment of Property income under Section 10.

Investments

The Committee requested that profits arising out of sale of investments should not be liable to tax as in the past, in cases of loss on account of depreciation of investments, such losses were not being allowed.

The Central Board of Revenue, in their reply dated the 5th May 1941, regretted that the benefit of the recent amendment to Section 9 could not be extended to assessees whose cases were decided before the amendment came into force, and that in the absence of specific provisions to that effect, the amendment could not be applied retrospectively as desired by the Chamber. Regarding allowance of Urban Property Tax in computing income under the head "business", they stated that Section 10 was quite clear and that instructions on the point were not necessary. It was also stated that the question of assessment of profits arising out of the sale of investments was under consideration. Regarding Hindu Joint Families

and Dissolution the Central Board in their letter dated 9th July, 1941 did not accede to the views of the Committee and maintained that registration in doubtful cases should be withheld till fresh proofs were produced to satisfy the authorities to grant such registration. The Committee in their reply dated 18th August, 1941 requested the Board to reconsider their previous suggestions and grant registration to such firms in the case of which dissolution of a joint family had been accepted in the past, and the partnership of the members registered.

Professional People and Disallowance of Loss in Business by Income-tax Authorities.

The Committee were given to understand that the losses in respect of transactions on the Stock Exchange incurred by professional assessees such as engineers, doctors, etc., were not allowed by the Income-tax Department. The Committee in their letter dated 15th November 1941 addressed to the Central Board of Revenue desired to know in this connection the procedure laid down for the purpose of treating both profits and gains and losses of such assessees. They further stated that if such professionals were to be taxed on profits, it was but natural that they should be allowed losses also.

Co-operative Societies and exemption from E. P. T.

The Committee in their letter dated 15th November 1941 addressed to the Central Board of Revenue referred to the Notification under Section 60 of the Indian Income-tax Act whereby profits and gains of a co-operative society other than profits from investments, dividends, etc., were exempt from income-tax and drew the attention of the Board to the fact that such exemption for the co-operative societies did not extend to the E. P. T. Act. The Committee suggested that necessary steps be taken to extend the exemption to E. P. T. also by the issue of a notification or by departmental instructions. The Board in their reply dated 28th November informed the Committee that instructions had already been

issued to exempt such co-operative societies from assessment to E. P. T.

Relief under Section 25(3) of the Income-tax Act.

The Committee in their communication dated 15th November 1941 addressed to the Central Board of Revenue referred to the anomaly under which dividends paid to shareholders out of profits exempted under Section 25(3) were not so exempt in the hands of the shareholders themselves although the company paying such dividend was exempt. In this connection, they drew the attention of Government to the Notification exempting from income-tax though not from super-tax proportionate share of a partner of a firm which had discontinued under Section 25(3) or was succeeded to by another under Section 25(4) which provided that that which was exempt in the hands of the firm was also exempt in the hands of the partner. The Committee urged that as in the case of a firm relief had been granted to a partner under the circumstances by the issue of a notification, similarly relief should also be granted in the case of a shareholder of a company which had discontinued its business. It was contended that if the company under Section 25(3) could not be called upon to pay tax it was reasonable that the shareholder should also be similarly exempted from tax. The Committee therefore requested that a notification should be issued under Section 60 exempting that part of the dividend income paid to a shareholder out of the profits exempted under Section 25(3). The Central Board of Revenue in their reply dated 3rd December informed the Committee that the Central Government had no power to grant the exemption asked for, which could only be secured by an amendment of the Act. They added that in view of the recent amendment to Section 25 restricting the relief under this Section to a very small class of companies, the amendment was not worth making.

Cancellation of Registration under Section 23(4).

Arising out of the points discussed with Mr. J. F. Sheehy, Member, Central Board of Revenue, at their interview, the

Committee addressed a letter to the Central Board on 14th August 1941 regarding the absence of a provision for appeal against cancellation of registration of a firm under Section 23(4) as was the case under Section 30 which provided for an appeal to the Appellate Assistant Commissioner against the Income-tax Officer's order refusing registration. They also pointed out that such cancellation of registration involved the deprivation of the benefit of the provision in regard to carry forward of previous losses under Section 24. They urged that the Act should be amended permitting carry forward of previous losses notwithstanding the cancellation of registration under the said section as also provide appeal against the same. The reply of the Board dated 17th September 1941 in this connection not being found satisfactory, the Committee again addressed the Central Board on 24th October reiterating what they had stated in their previous letter and urging the Board to provide for the relief asked for. The Committee in a further communication dated 29th November referred to the Board's communication dated 18th October wherein they (the Board) stated that it was not necessary to amend the law to provide for an appeal against cancellation of registration under Section 23(4) as registration was generally granted at the time of assessment and not before it. They also referred in this connection to assessment under Section 34 under the old Act applicable only for one year for the purpose of reopening assessment which as amended provided for reopening for 4 years in normal cases and eight years in cases of concealment of particulars of such assessments. The Committee maintained that under such circumstances, there was a likelihood of cancellation of registration. The Committee gave concrete instances of such difficulties and urged that the right of appeal should be provided against cancellation of registration in such circumstances.

Liability to tax of Amounts refunded to the Second Preference Shareholders of the Tata Iron & Steel Co., Ltd.

The Tata Iron & Steel Co., Ltd., had paid dividends as well as arrears of dividends to their Second Preference Share-

holders after deducting income-tax from the years 1926-27 upto the year 1935-36. The company, however, had not to pay any income-tax for the years 1925-26 to 1934-35 because the profits for each of those years were absorbed by the depreciation allowance and arrears thereof. The action of the company in so deducting the tax from the amount of the dividend when no tax was paid by them, was challenged in a Court of Law which decided that when no tax was payable by the company, there was no right for the company to deduct the same. It was represented that the amount of tax refunded by the company was being taxed as dividend in the hands of the shareholders by the Income-tax Authorities. The Committee, thereupon, addressed the Central Board of Revenue on 24th November 1941 pointing out that the refund payments did not represent profits of the company for the year during which the amounts were refunded nor were they distributed as dividends out of the profits of the previous years and therefore the amounts refunded by the company were not liable to income-tax and super-tax in the hands of the shareholders inasmuch as they were in the nature of capital receipt and not income.

The Central Board of Revenue in their reply dated 9th December informed the Committee that since the amounts now paid by the Company were paid for making up the deficiency in the dividend paid in previous years, such amounts would not be treated as capital in the hands of the shareholders.

Form of Application for Registration in case of a Dissolved Firm.

In their letter dated 26th November 1941 addressed to the Central Board of Revenue, the Committee informed the Board that the form prescribed for the purpose of making application for registration in the case of dissolved firms under Notification No. 23 was acceptable to them. They, however, presumed that the term "date of dissolution" in the draft rule meant the date on which the final accounts were made and the firm finally wound up.

Assessment of Unrecognised Pension Funds.

The Income-tax Act exempts accretions to recognised pension funds from tax. No such exemption, however, is allowed to unrecognised pension funds and in the case of such funds, the surplus of their receipts over expenditure each year is liable to tax. Such a basis of assessment did not give due consideration to the fundamental principle on which pension funds were built up. The funds in question, should only be assessed on the basis of an Actuarial Valuation as in the case of life annuity business. The Committee of the Chamber in a letter addressed to the Central Board of Revenue on 24th July drew their attention to the hardship caused to such funds by the position as explained above and desired that a scheme for the correct valuation of the surplus of pension fund be evolved so that such a surplus may be deemed as the basis for purposes of taxation. The Board in their reply dated 12th September observed that such pension funds would be assessed on the basis of the actuarial valuation made for the last intervaluation period.

Amendment to Rule 7 of the Indian Income-tax Rules—Reduced Allowance in respect of Collection Charges.

In their communication dated the 3rd April, addressed to the Central Board of Revenue, the Committee referred to the Income-tax Notification No. 9, dated the 15th March, 1941, containing the draft of an amendment to Rule 7 of the Income-tax Rules. Under the existing rule, a sum equal to 6% of the annual value of a property was allowed by way of collection charges. The draft rule proposed that this allowance of 6% instead of being on the full annual value should be on the annual value diminished by the amount allowed for the vacancies. As there could be no reduction in collection charges, on account of the vacancies occurring from time to time in a property and as it was not possible to dispense with the staff employed for the purpose of collecting income from a property, portions of which might be falling vacant from time to time, there was no justification for reducing the amount

allowed for collection in the manner suggested in the Notification. The Board in their reply dated 1st July informed the Committee that the amendment to Rule 7 had been dropped.

Allowance of loss incurred on account of goods on enemy ships.

On receiving a representation, the Committee addressed the Central Board of Revenue on 27th February protesting against the disallowance of loss incurred on account of goods that were stranded on enemy ships which had taken refuge in neutral ports and especially in Italian ports which were then neutral. As such goods lying in enemy ships were considered irrecoverable the merchants who were liable to assessment in this regard had written off such losses as irrecoverable. The Committee drew the attention of the Board to Government's communique of the 20th June 1940 announcing goods on enemy ships stranded in enemy ports as irrecoverable and stated that the Income-tax Department in fairness should also treat such amounts involved as irrecoverable and not assessable to tax. It was urged under the circumstances that the Central Board should issue instructions to deem such losses on account of goods on enemy ships as irrecoverable and allow the same in computing income for purposes of income-tax. A reply was received from the Board, dated 26th May, to the effect that while the Board were not prepared to allow such contingent losses immediately, collection of tax on the appropriate portion of the profits represented by enemy debts would be suspended. The Committee in a further communication to the Board had urged that where debts were proved to be clearly bad the same should, as was reported to be the case in the U. K., be immediately allowed and should not be held over. The Central Board in their reply dated 19th August informed the Committee that where a loss had become an ascertained fact in the accounting period or even at a later stage at the time of assessment, it would be allowed as a deduction in confor-

mity with the practice in the U. K. This reply of the Central Board was circulated among the members of the Chamber for their information.

In a letter addressed to the Central Board of Revenue the Committee in this connection referred to the remarks regarding allowance of losses on enemy ships in *Accountancy*, the Journal of the Incorporated Accountants, which were to the effect that the Crown was prepared to allow such losses as bad in proper cases subject to the taxpayer undertaking to bring them into credit if recovered. The Committee urged that the same practice should be introduced in this country also and that the Department should be instructed to allow such debts subject to the safeguard that in case of recovery at a future date the taxpayer should be prepared to bear liability to tax in respect of such amounts.

Relief in Rate under Section 6 of the Indian Finance Act, 1939.

Under Section 18 of the Indian Income-tax Act, in case of a dividend payable to a non-resident shareholder, super-tax was deducted at the source. In the case, however, of a resident assessee, super-tax in respect of such dividend income was not so deductable at source and was paid by him at the time of the assessment of his income as a whole. The Committee, in this connection, addressed the Central Board of Revenue on the 23rd July drawing their attention to the above anomaly under which on occasions of an increase in the rate of income-tax or super-tax, a resident assessee would be liable to pay tax at a higher rate than the non-resident assessee in respect of the dividend income. The Committee urged that the relief contemplated under Section 6, Sub-Section 4(*b*) of the Finance Act, 1939, should also be made available to resident assessees.

The Central Board of Revenue in their reply dated 12th August, 1941 stated that the anomaly could be removed only by an amendment of the Indian Finance Act, 1939. The Committee addressed a letter to the Government of India,

Finance Department, requesting to have an amendment of the Indian Finance Act, 1939, with a view to remove the injustice done to the resident assessee in connection with the levy of super-tax.

Written-down value for depreciation allowance.

As recorded in the report of the Committee for the year 1940 the Committee had addressed the Central Board of Revenue with regard to the desirability of issuing departmental instructions to the effect that in arriving at the written-down value allowance for depreciation should be deducted only for the period for which there was specific provision for the same. This was required in the case of buildings which had no provision for depreciation prior to the financial year 1912-13. The Central Board of Revenue in their reply dated 16th January 1941 stated that instructions as desired by the Committee could not be issued in view of the statutory provision in Section 10(5)(*c*) of the Income-tax Act to the effect that for the years prior to 1922-23 the rate to be applied in computing the written-down value of an asset shall be the rate which was in force on 1st day of April 1922 and that it was not necessary that the same rate should have existed prior to 1922-23.

Income-tax Appellate Tribunal.

The Committee in their communication dated 5th May 1941 addressed to the Central Board of Revenue referred to the fee of Rs. 100, prescribed for an appeal to the Income-tax Appellate Tribunal and stated that the prescribed amount was excessive particularly in the case of small assessees. The Committee suggested that a system of graded scale of fees be introduced, the grade ranging between Rs. 15 for claims of Rs. 500 and under and the maximum fees being Rs. 100. This was suggested with a view to give facility to small assessees who might desire to take advantage of the Appellate Tribunal.

The Board in its reply dated 5th June drew the attention of the Committee to the report of the Select Committee on

the Income-tax Bill and the proceedings of the Legislative Assembly wherein the legislature had expressed itself in favour of substantial fees for appeals in order to discourage petty or frivolous applications and added that the suggestion for a reduction in the scale of fees or for the introduction of a graded system could not therefore be accepted.

In a communication addressed to the Central Board of Revenue on 1st October 1941, the Committee pointed out that in case of an appeal in respect of the same assessment but on different counts, fees were recovered separately on each count, thereby involving the assessee in great expenditure. The Committee reiterated their view expressed previously in this regard that all appeals in respect of one and the same assessment should be treated as a single case and that fees should be recovered accordingly.

They also referred to the hardship experienced by assessees with regard to the practice of not allowing judgments given by the Tribunal to be reported, and suggested that decisions of the Tribunal should be made available to the public on questions of law without disclosing the details of the case.

Income-tax Appellate Tribunal—Registration of Partnerships.

In their letter dated 12th September to the Central Board of Revenue, the Committee drew attention of the Board to the rule with regard to the powers of the Income-tax Appellate Tribunal for admission of applications for registration of partnerships. They stated that Rule 2(*c*) provided that applications might be admitted even at the Appellate stage, with the permission of the Appellate Assistant Commissioner hearing an appeal under Section 30. The Committee however pointed out that the Appellate Tribunal had no such powers to admit appeals under the said rule. They, therefore, suggested that Rule 2(*c*) should be made applicable in cases of admission of applications for registration of partnerships before the Income-tax Appellate Tribunal.

The Central Board in their reply dated 13th November informed the Committee that it was not necessary that pro-

vision for application for registration should be made at such a late stage as the appeal to the Tribunal.

Presentation of Appeals.

The Committee in their communication dated 4th July, 1941, addressed to the Registrar, Income-tax Appellate Tribunal, Delhi, referred to the inconvenience caused to assessees by the provisions in the Rules regarding presentation of Appeals to the Tribunal which required that the Appeal should be presented either in person at Delhi or sent by post so as to reach the Registrar within 60 days from the receipt of the Appellate Order. The Committee contended that for an appeal to reach in time from a place like Bombay 3 to 4 days would be lost to the assessee for filing appeals. The Committee, under the circumstances, suggested that arrangements should be made in respect of cases within the Bombay Circle for filing such appeals in Bombay, as a branch of the Tribunal was sitting in Bombay for hearing appeals. The Committee urged that if such a request was granted by Government, it would prove a facility to the assessees from Bombay.

Time Limit for Appeals before the Income-tax Appellate Tribunal.

In a letter addressed to the Central Board of Revenue on 12th September, 1941, the Committee drew the attention of the Board to the following hardship which had been experienced in the actual working of the Act. Under Section 33, which deals with appeals before the Appellate Tribunal against orders of the Appellate Assistant Commissioners, sub-section (1) provided that the appeal must be filed within sixty days of the date on which the taxpayer was served with the notice and that there was no relaxation of this time limit even for sufficient causes, such as sickness, accident, etc. In case of an appeal under Section 30, the Appellate Assistant Commissioner is empowered to admit at his discretion an appeal even beyond the time prescribed, which latitude the above sub-section did not provide in case of an appeal before

the Appellate Tribunal under Section 33. The Committee suggested that this defect should be remedied by an amendment of Section 33, by which Section 5 of the Limitation Act should be made applicable to Section 33 also.

Delay in Disposal of Claims for Refunds.

The Committee in their communication dated 5th May 1941 addressed to the Central Board of Revenue referred to the assurance given by Mr. J. F. Sheehy at the time of the interview they had with him that the payment of refund claims would be disposed of within three months and that a system of provisional refunds was also under consideration. They regretted that inspite of the assurance payment of refunds was being long delayed. It was suggested in this connection that the Income-tax Department should be made to pay specific interest on the amount of refunds which were not paid by the department within three months from the date due for such refunds.

The Commissioner of Income-tax, Bombay, in his reply dated 3rd July 1941 desired to be supplied with such particulars as might be available with regard to individual cases in which delay in disposal of refunds had occurred. The Committee in their communication dated 11th August 1941 submitted a list of pending refund cases in respect of which they had received complaints. The Commissioner in his reply dated 15th October assured the Committee that a large part of the pending applications had been already disposed of and that the few that remained would be settled as soon as possible. He also referred to the recent appointment of an Enquiry Clerk in the Bombay Income-tax Office who would supply the forms for recording complaints regarding refund claims.

Income-tax Refund Orders.

The Committee in their communication dated 23rd July, 1941, addressed to the Commissioner of Income-tax, Bombay, complained that the refund orders issued by the Income-tax Office did not contain particulars of computations and details

of the refunds allowed or disallowed. They urged that as in the case of non-resident refund circle, such information should also be supplied to assessees in case of refund orders issued. The Board did not agree to the suggestion as the same involved extra clerical work.

Allowance in respect of secret commission.

The Committee in their communication dated the 27th February addressed to the Central Board of Revenue referred to the allowance by the Income-tax Department of 50 per cent of the secret commission paid by assessees which was allowed formerly but which by recent orders of the Board had been discontinued and which secret commission where the name of the recipient was not disclosed was being taxed in full. It was stated that the recent disallowance of 50 per cent of the secret commission had given rise to an anomaly so far as the computation for Excess Profits Tax was concerned. The computation as determined in the standard period would allow the deduction of 50 per cent of secret commission but in the chargeable accounting period, however, the profit would be arrived at without any deduction on this account, the result being that excess of profits would show a larger chargeable amount under the Excess Profits Tax. The Committee in this connection pointed out that computation of profits in the standard period and in the chargeable accounting period should be on the same basis and that the principle of like for like should be extended to remove the difficulty pointed out above. It was urged that the Central Board should issue instruction to the Income-tax Department to allow 50 per cent of the secret commission paid by the assessees in the standard period.

The Central Board of Revenue in their reply dated the 11th March agreed that under Rule 2, Schedule I, computation of profits of the standard period should be on the same basis and in the same manner as were the profits of the chargeable accounting period. This would mean that where secret commissions paid were wholly disallowed in computing profits for E. P. T. purposes of the chargeable accounting period

they would be wholly disallowed in computing the profits of the standard period also.

The Committee in their communication dated 24th November addressed to the Central Board of Revenue referred in this connection to the correspondence between a member of the Chamber and the E. P. T. Adviser to the Government of India, wherein the Adviser had mentioned that it was the practice of the Income-tax Department in the U. K. to allow secret commissions having regard to the nature of the trade, the extent to which it could be proved that it was the custom of that trade to pay secret commissions and the status and credibility of the assessee. The Committee emphasised that, as above, in the U. K. the allowance of the commission was decided on the merits of each case and that there was no total disallowance of such amounts as was the case in India. The Committee urged that the practice existing in the U. K. with regard to allowance of commission should be followed in India also.

Excess Profits Tax and Shipping Industry.

On a representation received from the Indian National Steamshipowners' Association, the Committee addressed the Central Board of Revenue on 7th April, 1941 referring to certain reliefs to be provided for the shipping industry in the matter of application of the provision of the E. P. T. Act to that industry, the main points of which were as under :—

Rate of Depreciation for Shipping Assets

In view of the climatic conditions, the original rate of depreciation for shipping assets was fixed by the Government of India at 5% as against the then prevailing rate of 4% in the United Kingdom. Subsequently, the U. K. rate had been raised to 4.8% on prime cost, the rate for India remaining at the original figure of 5%. The Committee were given to understand that in view of the war conditions, British ships would be allowed depreciation now at the rate of 6% on prime cost both for purposes of E. P. T. and Income-tax while

determining profits. The Committee suggested that a similar relief by increased provision for depreciation should be made available to the Indian Shipping Industry also. It was suggested that the rate of $7\frac{1}{2}\%$ should be prescribed on the original cost of Indian ships, for the purpose of allowing depreciation in the chargeable accounting year, while depreciation in the standard period should continue to be calculated at 5%.

Allowance in respect of Ships which might have been Fully Written Off

In case of ships fully written off, in the ordinary course, having completed their normal period of life, for purposes of allowance of depreciation, no further allowance by way of depreciation would be taken into account for such ships which continued to be working in the chargeable accounting period. As during war time, in view of the high cost of ships, replacement would be rendered difficult and, therefore, the Committee suggested that provision should be made for allowance of depreciation of ships which may have completed their normal span of life, but which may still be in service during the chargeable accounting period.

Replacement Reserves

It was presumed that after the war, replacement of tonnage lost during the war would be carried out at a very high cost. The Committee were, therefore, of opinion that it was necessary to build up special reserves which could be utilised for replacing vessels at the end of the war. The Committee urged that such reserves built up for replacement of tonnage after the war should be made tax-free as was suggested in the Legislative Assembly, when the E. P. T. Bill was under discussion.

Obsolescence Allowance

In estimating excess of profits, like was to be compared with like and, therefore, the Committee suggested that

in arriving at the standard profit for the standard period, the amount by way of obsolescence should not be taken into account and the amount of such allowance should be added to the profits of that year to arrive at the standard profit.

This was suggested in view of the fact that in the standard year selected for a shipping company, there might have been a substantial allowance by way of obsolescence and the profits arrived at would have been on the basis of such allowance.

Insurance Premium

Ordinarily, Insurance premium paid to under-writers was allowed as a deduction for purposes of estimating profits liable to tax. The Committee suggested that such deduction should also be allowed in case of a shipping Company which carried a part of the insurance risk over its own fleet by its own scheme of insurance.

The Central Board of Revenue in their reply dated 23rd May 1941 stated as under :—

Rate of Depreciation for Shipping Assets

The Board agreed that for the period of the war the rate of depreciation on ships should be increased in conformity with the increase in the U. K. They were, however, not prepared to allow any increase beyond 6 per cent in the rate of depreciation.

Allowance in Respect of Ships which might have been Fully Written Off

The Board proposed to concede this claim by deducting the depreciation allowance on such ships from the allowance for the depreciation in the standard period.

Replacement Reserves

The Board did not agree on this point and regretted their inability to accede to the request of the Chamber.

Obsolescence Allowance

It was stated that this claim would be met under Schedule I, Rule 2 by spreading obsolescence allowance for the life of the asset and allotting the appropriate part to the standard period.

Insurance Premium

The Board were not agreeable to concede to the request of the Chamber on this question.

Indian Income-tax Act and Indian Shipping Industry.

The Committee on 8th April 1941 addressed the Central Board of Revenue regarding the application of certain provisions of the Indian Income-tax Act to shipping companies. They therein supported the suggestions and proposals contained in the representation submitted by the Indian National Steamshipowners' Association addressed to the Central Board of Revenue which were briefly as under :

Depreciation on Secondhand Ships

Under the Indian Income-tax Act depreciation on secondhand ships was allowed only at the rate of 5% on the original cost of the ship irrespective of its age. Such depreciation rates in the U. K. varied according to the age of the ships at the time of purchase as secondhand ships and therefore in practice the rate of depreciation there on secondhand ships was higher than that obtaining in India. It was suggested that the U. K. rules in this connection should be applied in case of depreciation on secondhand ships in India.

Depreciation on Additions to Ships

Expenditure of a capital nature incurred for additions and improvements such as renewal of engines, boilers, etc., was under the Indian rules written off during the normal period of the life of the ship in India. It was suggested that on the lines of the U. K. rules the cost of such additions should be

written off during the balance of the normal period of life of the ship from the date on which such additions and improvements were made.

UNABSORBED DEPRECIATION AND PROFITS BY SALE OF SHIPS

In view of higher replacement costs in war time the Committee suggested that income accruing from sale of ships should not be taxed. The Committee also urged that the difficulty regarding unabsorbed depreciation should also be considered.

Amendment to Rule 8 of the Income-tax Rules.

The Committee addressed on 18th August, 1941, the Central Board of Revenue in connection with the amendment to Rule 8 of the Income-tax Rules, regarding Depreciation under the head Plant and Machinery. Under this amendment it was proposed that the rate for ocean-going steamers and motor vessels should be increased from 5 per cent to 6 per cent for the period commencing 1st September, 1939 and ending six months after the cessation of the present hostilities. The Committee suggested that the rate for ocean-going steamers and motor vehicles during the war time should be increased to 6.25 per cent instead of 6 per cent as was the case in the United Kingdom.

Time-limit under the Excess Profits Tax Act.

The Committee addressed the Central Board of Revenue on 21st December, 1940, drawing their attention to a point arising out of the provisions of the Excess Profits Tax Act and the rules framed thereunder. Under Section 13, the return of Excess Profits Tax is required to be made by the assessee within a period of not less than 60 days from the date of service of the notice. They pointed out in this connection, that if an assessee desired to make an election under Section 8(2) with a view to avail himself of the standard of

the predecessor in case there was a change by an admission, death or retirement of partner, he had to apply to the Income-tax Officer under Rule 16 within 60 days of the date of service under Section 13. Those ignorant of this provision have been under a misapprehension that an Application under Section 8(2) would lie within 60 days of the receipt of notice under Section 13 or of the extended period allowed by the Excess Profits Tax Officer under the proviso to that sub-section. There being no such provision for an extension under Rule 16, any assessee who has been misled by the above provision of extension fails to make an application to the Income-tax Officer will lose his right of claim for election after the expiry of the said period.

As a result, the assessees would be called upon to pay a very heavy Excess Profits Tax because the standard of profit which would be available would be denied and, therefore, they would have either recourse to the capital standard or the minimum standard of Rs. 36,000 only. The Committee therefore urged the Central Board of Revenue to take into consideration the hardships involved to a large number of assessees who might have ignorantly omitted to apply to the Income-tax Officer under Section 8(2). They urged the Board to issue immediate instructions to the Income-tax Officer to entertain applications under Section 8(2) within the extended period allowed by the Excess Profits Tax Officer under Section 13. They also requested for amendment of Rule 16 adding thereto the words " or within extended period allowed by the Excess Profits Tax Officer under the provision of that sub-section."

The Central Board of Revenue in their reply dated 15th January 1941 agreed that Rule 16 needed amendment as desired by the Committee. They however stated that pending such amendment, instructions were being issued to officers to entertain applications under Section 8(2) if made within the extended period allowed under the proviso of Section 13(1).

The Committee in reply sent a telegram dated 6th February 1941 stating that instructions to entertain applica-

tions if made within the extended period under the proviso of Section 13(1) would not cover cases in which returns had been already submitted by assessees, within the prescribed period of 60 days. The Committee urged that instructions should cover such cases also.

A reply was received from the Board dated 21st February 1941 to the effect that instructions had been issued to the Department that in such cases also the benefit of the standard period of the predecessor should be allowed if a formal application to that effect was made by the assessees before the end of February.

E. P. T. and relief re : Capital Computation on account of Previous Losses.

In their letter dated 28th November 1941 the Committee drew the attention of the Central Board of Revenue to the provision in Section 30 of the U. K. Finance Act, 1941 under which in the case of a business, the profits of which for purposes of E. P. T. were to be computed on the basis of statutory percentage, capital employed in the business during the chargeable accounting period would be arrived at after adding thereto the net loss sustained by the business during a prescribed period of years. The Committee suggested that such a provision should also be made in the Indian E. P. T. Act for relief under similar circumstances.

Payment of E. P. T. and Income-tax.

The Government of India by their Circular letter dated the 25th March, 1941, informed the Committee that sums earmarked by business concerns for payment of Excess Profits Tax and Income-tax might be paid to Government in advance to help the state finances. The Committee thereupon issued a general circular to the members giving details of the Government proposals for paying in advance such sums earmarked by the business concerns, for necessary action.

Allowance of Borrowed Capital under E. P. T. Act

Under Rule 5, Schedule I of the Excess Profits Tax Act, in the case of an assessee who had a standard period, business expanded with borrowed capital would be allowed and such borrowings would be treated as capital. In the case of an assessee, however, whose standard profits were to be computed with reference to statutory percentage on average capital employed, the bank's loan would not be treated as capital and no relief would be available in respect of expansion by borrowed capital. The Committee in a letter dated 2nd July addressed to the Central Board of Revenue pointed out the defective nature of the provision in question and urged that the rule be amended so as to provide for the allowance of borrowed capital in all cases.

With reference to the discussion during the interview which the Committee had with the Members of the Central Board of Revenue on the question of the allowance of borrowed capital under the E. P. T. Act, the Committee further addressed the Central Board of Revenue pointing out the difficulties arising out of the strict application of provision of Rule 5, Schedule I of the E. P. T. Act, whereunder only loans secured from a bank or banker would be treated as capital under the E. P. T. Act. The Committee referred to the amendment in the Legislative Assembly that differentiation in this matter should not be made in favour of banks as proposed or be restricted merely to moneys raised on debentures. During the debate the Finance Member had conceded that the amendments could not be accepted because the English Act contained no such provision and that the differentiation in the case of bankers was, in his opinion, illogical. The Committee invited the attention of Government to Clause 20 of the Finance Bill, 1941 of the U. K. whereunder provision was made for treating all borrowed moneys as capital employed in business and therefore they stated that the objection of the Finance Member was met and that a corresponding amendment should be made in the Indian Act. The Committee urged Government to modify the present provision under the

E. P. T. Act in conformity with Clause 20 of the Finance Act, 1941 of the U. K.

In their reply dated 6th September, the Board informed the Committee that the question whether the relief should be extended in the manner suggested by them was being examined by Government. Subsequently the Act has been amended so as to allow all borrowed moneys being treated as Capital.

Negative Standard under E. P. T. Act.

The provisions of the E. P. T. Act and the Rules thereunder were not clear as to whether an assessee who had combined the profits of two years for the purpose of determining the standard profits had also to take into account the loss, if any, in one of such years. In a letter dated 2nd July addressed to the Central Board of Revenue the Committee desired a clarification of this point and expressed as their opinion that in a case where the standard was to be determined on the basis of the average of two years in which in one year there was a profit and in another loss, the actual average should be worked out on the basis of the amount of the profit without being diminished by the amount of the loss in the other year. It would appear that the practice obtaining in the U. K. corresponded to the above suggestion.

The Committee also asked for information regarding the treatment of negative capital in determining the increase or decrease of capital in the chargeable accounting period.

The Central Board of Revenue in their reply dated 15th July 1941 did not agree with the opinion of the Committee in this regard and stated that the loss in any year under account should also be taken into consideration while determining the standard. The Committee in a further communication dated 18th August reiterated their opinion in this regard as expressed in their letter of the 2nd July and requested the Board to accede to their suggestions.

The Central Board of Revenue in their reply dated 23rd August, 1941 stated that the adoption of the interpretation of the Committee of the Chamber would be tantamount to the taking of a standard period of one year which was not within the options allowed to an assessee by Sub-section 2 of Section 6 of the Excess Profits Tax Act.

Increase in the Rate of Premium for War Risk Insurance.

In a communication dated the 21st March, 1941, addressed to the Government of India, the Committee protested against the proposed increase in the rate of premium for war risk insurance from 1/32% to 1/16% and stated that there was no justification in imposing this additional burden on trade and commerce, as Government had very recently levied new taxes and increased the burden of various existing taxes. Owing to the lack of adequate shipping tonnage and also due to other factors, stocks of commodities were accumulating with no prospect of recovery from low prices. The position of the commodity market was precarious and, therefore, the 100% increase in the rate of war risk insurance was in the opinion of the Committee most ill-advised. At the time of fixing the original rate of 1/32%, the trade had urged that the rate should be reduced in the light of the loss experience and as Government had paid no claims in respect of war risk insurance, this action of Government had no justification.

Refunds in War Risk Insurance Scheme.

It was brought to the notice of the Committee that there was no provision in the War Risk Insurance scheme for allowing refunds. The Committee thereupon addressed the Government of India drawing their attention to this lacuna in the scheme. If a merchant took out a War Risk Insurance policy for a particular amount on certain goods for three months and if a part or whole of such goods was sold out by the merchant at the end of the first month, the merchant was not in a position to claim any refund of premium for the remaining two months. He was also not in a position to

claim refund for the goods that he might have sold out in the second month. As now the premium had been increased 100 per cent for such policies from 6 pies to one anna, the Committee suggested that the scheme should be amended to provide for such refunds. They also suggested that war risk policies should be made transferable and that declaratory policies should also be issued under the scheme, on the lines of ordinary Fire policies. If this was not possible Government might issue policies for a period of one month at 1/12th the annual rate. They urged Government to look into this difficulty carefully and take immediate steps to amend the scheme.

Government in their reply dated 8th May were not agreeable to accede to the suggestions of the Chamber that the War Risk policies should be made transferable and that declaratory policies should also be issued under the scheme, as by the issue of such policies the cost of administration would be increased and also a further increase in the rate of premium might have to be effected.

Amendment of War Risk Insurance Ordinance to cover Goods within the Limits of Customs Ports.

The Federation of Indian Chambers of Commerce & Industry along with their letter dated 17th May 1941 forwarded a copy of letter from the Government of India on the subject of amendment of War Risks Insurance Ordinance, 1940, whereby the existing sub-section 2(*g*) of the War Risks Insurance Scheme would also apply to goods within the limits of Customs Ports and invited the views of the Committee on the subject. The section as it stood at present covered only the goods "situated in British India" and therefore could not apply to goods within the limits of customs ports, remaining in the lighters between ship and shore. The amendment sought to bring such goods also within the meaning of the section. The Committee in their reply dated 29th May approved of the proposal referred to above.

Insurance of Immovable Property against War Risks.

The attention of the Committee was drawn to a proposal of compulsory insurance of immovable property against war risk by Government. The Committee in their communication dated 22nd August addressed to the Government of India desired to know whether such a scheme was under contemplation ; if so, they urged Government that before any final decisions were taken with regard to the introduction of such a scheme, commercial bodies in the country should be given an opportunity to express their opinion regarding the same.

Payment of War Risk Claims in India.

It was represented to the Committee that difficulties were being experienced through absence of arrangements for paying war risk claims in India, as the War Risk policies issued by the War Risk Insurance Office in London in respect of shipments destined for India were made in London and not in India, as a result of which the payment in regard to such policies became very difficult in view of war-time conditions. The Committee thereupon addressed the Government of India on 15th September, 1941, drawing attention to the above difficulties and suggesting that arrangements should be made in this country for payment of claims that might arise with respect to war risk. They also suggested that until suitable machinery was set up by Government to make such claims payable in India, the settlement of such claims might be left in the hands of the Indian Trade Commissioner in London.

Insurance Companies and Appreciation on Investment not taken to Revenue Account.

Where appreciation on investment had been adjusted by merely a book entry, i.e., by crediting investment reserve and debiting investment account, but was not taken either to the revenue account nor adjusted in the actuarial balance-sheet, it in no way affected the valuation of the surplus. In a letter addressed to the Central Board of Revenue on 24th July, the

Committee pointed out that adjustments by way of book entries as above, should not be taken into account for the purpose of calculating the taxable surplus unless such adjustments were made in the revenue account. Government did not accede to the above suggestion.

Withdrawals from the Reserve Fund.

Under Rule 3 of the Rules for computing the profits and gains of Insurance Business, one half of the amounts paid to or reserved for policyholders would be allowed as deduction. The determination of the quantum of reserve subject to taxation under this Rule would be materially affected by the interpretation given by the Department as to how the withdrawals or additions to the reserve were to be taken for the purpose of this calculation. The department was inclined to view that what was drawn from the Reserve Fund came first out of the opening balance and next out of the current surplus. In a letter addressed to the Central Board of Revenue on 24th July, the Committee pointed out that such a view was not in conformity with the general accounting principle and as such it was necessary that instructions should be issued that only such amounts as were drawn from the Reserve Fund to make up the deficiency for declaring the bonus should be taken into account for the purpose of arriving at the surplus for taxation under the rules. Government were unable to accept the above suggestion.

Cawnpore Electric Supply Corporation, Ltd., and Issue of Fresh Shares.

The attention of the Committee was drawn to the unjust treatment meted out by the Cawnpore Electric Supply Corporation, Ltd., to their shareholders in India by issuing fresh shares without according sufficient opportunity to the existing shareholders to apply for and acquire the same, thereby depriving such existing Indian shareholders of their normal right to the preferential claim of fresh issue of shares. The Committee were further informed that in this instance the

move to issue fresh shares on the part of the Head Office in London was the result of a proposal to transfer the control of the company from London to India. The Committee thereupon addressed the Government of India on 27th August, 1941, pointing out the difficulties which the shareholders in India of companies established outside British India were liable to suffer in cases where the foreign companies were not liable under Section 105(*c*) of the Indian Companies Act, whereunder the Directors were required to offer the issue of further shares to the members in proportion to the existing shares held by each member. They therefore urged Government that Section 277 of the Indian Companies Act relating to foreign companies operating in India should be amended by applying provisions of Section 105(*c*) to all companies incorporated outside British India and registered under Section 277 of the said Act.

Town Duty Refund Rules.

It will be recalled that the Committee had addressed the Municipal Commissioner, Bombay, supporting the merchants' representation desiring relief for unwarranted rejection of their legitimate claims for refund of Town Duty under Town Duty Refund Rules as published in the report of the Committee for the year 1940. The Committee in this connection addressed the Mayor and the Standing Committee of the Bombay Municipal Corporation on 18th June 1941. The Municipal Commissioner in his reply dated 26th June informed the Committee that the question had been carefully considered by the Standing Committee of the Corporation and that no amendment of the Town Duty Refund Rules was considered necessary. He, however, assured the Committee that orders would be issued that any clerical error, omission or discrepancy in one of the export notes would be overlooked and refund granted as if there was no such error. Regarding errors and omissions in declaring the weight or quantity or in writing the amount of refund due in the application, he also assured that the *bona fide* errors or omissions would be overlooked.

The Committee in their reply dated 16th August pointed out that the action taken would not remove entirely the hardship as the objectionable rules had not been actually amended. With regard to the Export notes in this connection the Committee pointed out that it was likely that in the duplicate copies of the same, the errors might be repeated through inadvertance, and therefore, the duplicate Export notes must also be accorded identical treatment. The Committee emphasised that in the absence of definite amendment to the above rules it was likely that the departmental orders would be subjected to varying interpretations by the change in the personnel of the department.

III. TRADE, INDUSTRIAL AND LABOUR LEGISLATION.

Indian Companies Act and definition of Banking Companies.

The Government of India in their letter dated 9th October 1941 referred to the definition of banking companies given in Section 277F of the Indian Companies Act, 1913, which, in their opinion, created difficulties of interpretation as to whether a company was a banking company or not. They therefore stated that Section 277F should be amended by the insertion of an explanation to the effect that any company which used as part of its name the word "bank", "banker" or "banking" should be deemed to be a banking company irrespective of whether the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order was its principal business or not. The Committee in their letter dated 17th November 1941 approved of the change suggested. They in this connection referred to the draft proposals of Government for a consolidated Banking Act in which proposals in regard to definition of banks or banking companies were also included and desired to know when the same would be taken up for consideration.

Income-tax Amending Bill.

On 25th October, 1941, the Committee addressed a communication to the Central Board of Revenue, containing their views on the provisions of the Income-tax Amending Bill (No. 26 of 1941), wherein detailed suggestions were made regarding the changes necessary in the various Clauses of the Bill.

Excess Profits Tax Amending Bill.

The Committee addressed a communication to the Central Board of Revenue on 28th October, containing their views on the Excess Profits Tax Amending Bill (No. 27 of 1941). The

more important changes introduced by the Bill were (1) the addition of a new Section 10A, providing for cases where tax is avoided by transactions which were neither fictitious nor artificial; (2) the provision of a new Rule 12 in Schedule I, authorising the Excess Profits Tax Officer to disallow expenses which, in the opinion of that officer, had no relation to the requirements of the business, and (3) the extension of the relief in respect of borrowed capital to all borrowed moneys. The Committee strongly opposed the first two changes, as the same would lead to harassment of assessees by the Department.

Provisions of the Insurance Act regarding Investments of Funds.

By their communication dated 7th July, 1941, the Committee represented to the Government of India the difficulties arising out of the application of Section 27 of the Insurance Act whereby Indian Life Offices were required to invest full 55 per cent of their assets in Government and approved securities. This restriction had some justification in the past, owing to the investment policy of certain Insurance Companies; but now under the powers of supervision and inspection obtained by Government under the present Act, the restriction was superfluous as Government were in a position to watch carefully the nature of investment made by the Life Offices. While the Committee were not in favour of wholly abolishing such a restriction, they were of opinion, however, that the restriction should be relaxed, whereby the Insurance Companies would be allowed greater scope to invest their funds in more remunerative securities than the Government securities which obtained very low rates of interest. Besides, generally, the industries of the country would also be affected, as the surplus funds of the Insurance Companies would not be available for their expansion under this restriction. The Committee urged that the Insurance Companies should be allowed greater freedom in distributing their investments by amending Section 27 of the Insurance Act, 1938.

Provisions of the Indian Companies Act, 1936, regarding Reduction of Capital.

As published in the report of the Committee for the year 1940, they had addressed the Government of India requesting for an amendment of the Indian Companies Act whereby the requirement for the signature of each individual creditor could be dispensed with at the discretion of the Court for purposes of reduction of capital. Government in their reply dated the 22nd January 1941 assured the Committee that consideration would be given to the suggestion of the Committee when the next general amendment to the Indian Companies Act would be taken up. The Committee in a further communication to Government dated the 7th February stated that the proposal put forward by them for the amendment of the Indian Companies Act affected very vitally the joint stock companies particularly insurance companies and it would not be fair to them if the consideration of the amendment was postponed till the next general revision of the Act.

Amendment to Auditors Certificate Rules.

In connection with the draft amendments proposed to Rules 6 & 7 of the Auditors Certificate Rules, 1933, the Committee addressed the Government of India on 14th August, 1941. Under the amendment to Rule 7 it was proposed that the existing or past membership of any of the institutes and societies mentioned in the notification should be deemed as sufficient to entitle such memberships to be enrolled on the Register. The Committee pointed out that under the amendment expelled members of such institutes and societies would be entitled for enrolment. They therefore suggested that the amendment should provide for contingencies in which such expelled members might not be eligible for being enrolled as members on the Register of Accountants and Auditors.

Under the notification of the 1st November, 1941, Government proposed to add a rule to provide that a Registered Accountant shall not accept a position as auditor of a limited company previously held by another Registered Accountant

in such a condition as would amount to undercutting. The Committee in their reply dated 4th December, 1941, in this connection stated that the rule as drafted would operate as a hardship to the newcomers in the profession. The Committee, however, suggested that if the addition of the rule was necessary, the word "wilful" should be added before the word "undercutting" whereby the disqualification would operate only in case of wilful undercutting.

Marking of the Country of Origin under the Merchandise Marks Act.

The Government of India along with their communication dated the 10th April, 1941, enclosed for the information of the Committee their press note regarding protection of Indian Industry against the foreign manufactures entering the country without clear indication of their country of origin. Government referred to the powers they had under the Indian Merchandise Marks Act for requiring the marking of the country of origin on the imported goods and desired representations from the trades concerned regarding the manner in which the indication of the country of origin should be enforced in respect of imported articles. The Committee in their reply dated 7th July, referred to their previous suggestions in this regard to the effect that marking of the country of origin on all non-Indian or Foreign goods should be made compulsory not only on the cases but on the goods themselves, for the protection of unwarry consumers, except in cases of such goods where it was not possible to have such an indication marked. They stated in the alternative that all classes of imported articles for which there was a corresponding indigenous production in India should be compulsorily marked. They also referred to a class of goods which were manufactured in India by British or foreign companies which bore the names of such concerns with their foreign address without any indication of the country of origin. The Committee were of opinion that such a practice would lead to a preference, as presumption would be that the goods were manufactured outside India. The Committee suggested that in

such cases the mark of indication of the country of origin should be made compulsory.

Amendment of Sea Customs Act.

The Committee in their letter dated 26th June, 1941 addressed to the Central Board of Revenue supported the representation of the Marwari Chamber of Commerce, Calcutta, to the Board regarding certain difficulties experienced by merchants in the matter of the administration of the provisions of the Sea Customs Act relating to the assessment of duty. They stated that at present different interpretations were placed upon the sections of the Sea Customs Act by the Customs authorities at different ports in the matter of assessment of duty. They urged that it was necessary to secure uniformity of practice in all the Customs ports in the country in this connection and suggested that for the purpose of recovering such duty invoices wherever available should be accepted and the duty should be calculated on the basis of the invoice value.

Excise Rules—Excise Duty on Medicinal and Toilet Preparations.

The Indian Chemical Manufacturers Association along with their letter of the 29th May, 1941 enclosed a copy of their representation to the Government of Bombay regarding certain difficulties experienced by the manufacturers of chemical and pharmaceutical preparations with regard to the Bombay Excise Rules. These difficulties, as stated in their representation to Government, arose as a result of the recommendations made by the Excise Conference in 1937, being not implemented by the Government of Bombay. The Excise Conference had recommended that in case of spirituous medicinal preparations used for purposes other than medicinal, duty at the rate of Rs. 17-8 per proof gallon should be levied by all the Provincial Governments and State Gove ments. In spite of this recommendation, Bombay m turers were required to pay the original duty of R

such preparations. It was also recommended at the Conference that the Central Board of Revenue should adopt a co-ordinated list of spirituous medicinal preparations that might be used for other than medicinal purposes. The list as prepared by the Central Board was followed by most of the Provincial Governments excepting the Bombay Government. It was also recommended that toilet preparations and perfumery prepared from spirit should also be charged at Rs. 17-8 per proof gallon, which recommendation had not been followed yet by the Government of Bombay. One of the resolutions of the Conference recommended the adoption by Government of the Customs classification relating to liquors and dangerous drugs. The Committee thereupon addressed the Government of Bombay on 16th June, 1941, drawing their attention to the various recommendations of the Excise Conference and stated that they were not being implemented by the Excise authorities in Bombay and urged that steps might be taken to carry out the said recommendations as the trade concerned was suffering a loss as a result of the same being not implemented.

Government in their reply dated 19th June, 1941 stated that they were not agreeable to adopt a uniform rate of duty of Rs. 17-8 per proof gallon for spirituous medicinal preparations which might be used for other than medicinal and toilet preparations and perfumery. The matter regarding the co-ordinated list of spirituous medicinal preparations was under their consideration. The proposal for the adoption by Government of the Customs classification relating to liquors, etc., was not acceptable.

Bombay Shops and Establishments Act.

The Committee had been in communication with different trades in the city of Bombay with a view to find out the reactions of the Act. They thereafter in a communication addressed to the Government of Bombay on 20th February laid before them certain practical difficulties experienced by the merchants in complying with the

provisions of the said Act. Suggestions made by them in this regard were as under :—

(1) They suggested that while 208 hours per month might be allowed to remain as the normal hours of work in the case of establishments it should be permissible for increased hours of work being put in on payment of extra salary to the employee concerned upto a maximum of 39 hours per week.

(2) The facility given to the commercial establishments of allowing extended spread-over for stock-taking, etc., should also be allowed in case of shops.

(3) Exemptions allowed under Section 4 should be extended to Bhayyas doing Hundi work, Munims of pedhis and house managers of cinema houses.

(4) No objection should be taken under the Act if the employees remained in the office premises after office hours.

Common Weekly Day of Rest under the Bombay Shops and Establishments Act.

Under the Bombay Shops and Establishments Act it is obligatory on employers to give a weekly day of rest to all their employees. In this connection a suggestion was made by the Grain Dealers Association that either by convention or through necessary legislation all trades should be required to observe a common weekly day of rest as otherwise considerable difficulty was experienced particularly in the retail trade in the matter of observing weekly day of rest.

The Committee consulted the other Trade Associations interested in the matter and it was found that opinion was divided as to the feasibility or necessity of having a common day for all trades and establishments. In view of the manifest difference of opinion, the Committee informed the Grain Dealers Association that it would not be possible to move the Government of Bombay for action on the lines indicated by that Association.

Bombay Agricultural Debtors' Relief Act.

In response to the request from the Government of Bombay dated 19th February, the Committee deputed Mr. R. G. Saraiya accompanied by the Secretary, Mr. J. K. Mehta, to attend on behalf of the Chamber the Conference convened by the Government of Bombay for the purpose of considering the draft of the Bombay Agricultural Debtors' Relief Act Rules, 1940 and criticisms and suggestions received from the public thereon and the best method of making finance available to agricultural debtors after the introduction of the Act.

Draft Rules under the Bombay Agricultural Debtors Relief Act.

On 18th March, 1941, the Committee while submitting to the Government of Bombay their views on the draft rules under the Bombay Agricultural Debtors Relief Act pointed out that all the sections of the business community and even agriculturists themselves had opposed the Act being put on the Statute Book. The Committee had also recorded their protest when the Act was in the stage of a Bill. While appreciating the desire of the Government of Bombay to relieve the indebtedness of the agriculturists, the Committee were of opinion that the relief proposed would act adversely on the shroffs and the village bankers who had been of great help to the agriculturists in the past. Objection was taken especially to the principle of scaling down of debt and considering the total effect of the Act on the interests concerned, it was suggested that the Act should be withdrawn if the just claims of the moneylenders were to be considered in their true perspective. One serious objection put forward was that Government had not so far devised a suitable agency for giving credit to the agriculturists while withdrawing the means of credit hitherto supplied by the shroffs. The Committee also dealt with certain sections which were obviously harmful to the creditors as

well as the debtors, reference regarding which had been made in the Annual Report of the Chamber for the year 1939.

Bombay Weights & Measures Act — Exemption of Inter-Departmental Weights & Measures.

As recorded in the report of the Committee for the year 1940 the Committee had requested the exemption of all weights and measures used in factories for internal purposes from the Act. Thereafter the Committee by a general circular invited the members of the Chamber to submit to the Committee the nature of difficulties that were being experienced as a result of the inter-departmental weights and measures not being exempted under the Act. On the basis of suggestions received from members, the Committee in a communication dated 5th May 1941 addressed to the Government of Bombay set forth in detail the nature of difficulties experienced by the trade under the existing provisions of the Act regarding exemption and requested to issue a notification under Section 46 of the Act exempting internal and inter-departmental weights and measures and weighing instruments from the provisions of the Act regarding stamping, verification, inspection, etc.

Government in their reply dated 9th June informed the Committee that the Director of Industries was carrying out a comprehensive survey of weights and measures, used in various industrial and commercial establishments for non-trade purposes and that on receipt of his recommendations, the question would be considered by Government.

Bill to Amend the Bombay Industrial Disputes Act, 1938.

The Committee sent a comprehensive note embodying their views on the proposed amendments to the Bombay Industrial Disputes Act, 1938, to their representative in the Bombay Legislative Assembly, Mr. M. C. Ghia, M.L.A., President of the Chamber, who attended the Conference convened by Government on the 27th August, 1941, in this regard.

Bombay Lifts Act.

The Committee received complaints from members regarding the arbitrary nature of the requirements imposed by Government on lift-owners as a result of inspection reports, involving expenditure, sometimes of an abnormally heavy nature. The Committee in a letter dated 1st November addressed to the Government of Bombay pointed out the hardships experienced by property owners by a too technical interpretation and enforcement of the Rules under the Act, and added that in these days when the cost of lift equipment and accessories had gone up the burden of such requirements was substantially heavy. They, therefore, urged that the requirements, other than those essential for the safety of passengers, should not be enforced.

Electric Companies and Revision of Maxima Charges.

The Public Works Department of the Government of Bombay had recently issued a Notification recommending reduction of 50% in the maxima charges for the supply of energy fixed by the Poona Electric Licence, such revision having been recommended by the Advisory Board appointed by Government. The Committee addressed, in this connection, the Government of Bombay on 7th April, 1941, stating that while they were in favour of the appointment of an Advisory Board for the consideration of issues arising under the Indian Electricity Act, they were of opinion that the personnel of such Boards should include representatives of public bodies as would command public confidence. This was suggested in view of the fact that the cost of the materials essential for electrical undertakings had gone up much higher and if the rate of charges were reduced below economic levels, the companies affected by such revision would be adversely placed. It was also suggested that such an Advisory Board might include on its personnel, a representative each of the Indian Merchants' Chamber, the Bombay Chamber of Commerce

and the Association of Electrical Undertakings, and if necessary, a recognised auditor.

Government in their reply dated 16th August, 1941 informed the Committee that their suggestion that the personnel of such a Board should include representatives of public bodies as would command public confidence would be carefully considered should it become necessary to appoint another Board.

Bombay Municipal Act — Abolition of Special Constituencies.

On 21st May 1941 the Committee addressed the Government of Bombay referring to a draft bill under preparation embodying the recommendation of the Bombay Municipal Corporation regarding the abolition of special constituencies under the Bombay Municipal Act. The Committee after giving the genesis of the move on the part of the Bombay Municipal Corporation stated that if the special representation of commercial interests on the Corporation was abolished, a disservice would have been done to the commercial interests which were mainly responsible for the growth and prosperity of trade and commerce in Bombay. It was suggested that following the introduction of adult franchise the voting strength of the working classes would increase and therefore there would be no longer any necessity for labour interests to be specially represented. The natural consequence of this suggestion was that special representation granted to Chambers of Commerce and Millowners Association also would cease. It was pointed out that it was not within the purview of the Corporation to suggest the abolition of special constituencies as, in their opinion, such a proposal should have emanated from the Provincial Legislature or the Executive Government. In justification of functional or special representation the Committee referred to the Montague-Chelmsford Reforms, Simon Commission Report, Lothian Committee Report, etc., wherein a strong case had been made out for such special representation. The Committee believed that the Municipal Corporation was responsible for safeguarding

the rights and privileges of special interests existing in the City and, therefore, they should not have suggested a move in this direction. They submitted that the Corporation themselves had special representation on other bodies of public importance such as the Port Trust and the Local Advisory Committees of the Railways even though no civic interest was concerned in such bodies. The Committee felt that such special representation given to the Corporation could not be ruled out on these grounds ; so also the Committee were of opinion that the commercial interests should not be deprived of their just representation on a public body like the Corporation where they had to their credit much useful work done by such representatives.

Bill to Amend the Bombay Municipal Act.

The attention of the Committee was drawn to a draft bill published in the Government Gazette, dated 17th July, 1941, to amend the Bombay Municipal Act with a view, among other things, to enforce sanitary requirements in respect of certain trades and callings. Clause 9 of the Draft Bill provided that the Municipal Commissioner would be entitled to compel the owners of trade premises to remove all trade refuse to final places of disposal or to enter into an arrangement with the owners under which the Commissioner would get the same removed on payment of charges fixed for the purpose. Under the existing Act, these duties were to be performed by the Municipal Authorities as part of the normal Municipal work. The Committee, therefore, in a letter addressed to the Government of Bombay dated 26th September opposed the change contemplated and urged that as the existing Municipal Taxation was fairly heavy, the Corporation Authorities should continue to discharge their duties in this regard themselves without any additional levy on the public. The Committee also made certain suggestions in regard to some of the other provisions in the Bill.

Amendments to the Bye-laws of the East India Cotton Association, Ltd., Bombay.

The Committee by their communication dated the 19th March, 1941, addressed to the Government of Bombay, approved of the amendments proposed to the bye-laws of the East India Cotton Association, Ltd. as published in the Government Notification No. 5789-D dated the 10th March. The amendments proposed related to the change in the month of delivery of hedge contracts as also to " On call " contracts.

The Committee addressed the Government of Bombay on 3rd April, 1941, approving the amendments to the bye-laws of the East India Cotton Association, Ltd., as published in Government Notification No. 5789|D, dated the 21st February, 1941. These Amendments related to appeals from the Award of the Surveyors or Arbitrators, the right of the legal representative of the deceased party to refer to arbitration matters arising out of the contract entered into by the deceased, etc.

Amendments to the Rules of the Native Share & Stock Brokers' Association.

In reply to a letter dated 16th July, 1941, from the Government of Bombay regarding amendments to the rules of the Native Share & Stock Brokers' Association, the Committee sent the following suggestions on 13th August, 1941 :

RULES 358 TO 364. With regard to the draft rules 358 to 364 in connection with the introduction of a system of compulsory margin the Committee accepted the principle underlying the demand for intermediate margins when the market declined.

RULE 90(*a*)(6)(*i*). Under this rule the Board of the Association was entitled to close the market for 24 hours. The amendment proposed would enable the Board to close the market " with respect to all or specified securities ", i.e. without closing the whole market, they could close the market for transactions in a particular security. The Committee opposed this amendment.

RULE 90(*a*)(6)(*i*). The amended rule empowered the Board to close the market for two working days. The Committee approved of the amendment.

Certain amendments to the rules of the above Association were published in the Government of Bombay Gazette, dated 21st August, 1941, and the Committee of the Chamber were requested to communicate to Government their views on the same. The amendments were examined by the Committee in consultation with the Finance Sub-Committee. Under Rule No. 115, the Board of the Association was empowered to extend the time with regard to reference for arbitration or appeals against the award of arbitrators. The Committee suggested that this power should be vested in the President of the Association who should exercise the same before the time for making the award had expired.

IV. GENERAL TRADE AND INDUSTRY.

Interview with the Hon'ble Sir A. Ramaswamy Mudaliar, Commerce Member of the Government of India.

On 15th July, 1941, the Committee had an interview with the Hon'ble Sir A. Ramaswamy Mudaliar, Commerce Member of the Government of India, when the following questions were discussed :—

1. Insurance Act — Investment of Funds.
2. War Risk Insurance.
3. Section 58 of the Indian Companies Act — Reduction of Capital.
4. Merchandise Marks Act — Marking of Country of Origin.
5. Sea Customs Act.
6. Export Trade — Finding New Markets, etc.
7. Reconstruction.
8. Import Control.
9. Shipbuilding in India.

Interview with Mr. M. S. A. Hydari, C.S.I., C.I.E., I.C.S., Indian Member, Eastern Group Supply Council.

The Committee had an interview with Mr. M. S. A. Hydari, Indian Member on the Eastern Group Supply Council, on 24th November, 1941, when questions regarding the working of the Council were discussed.

Interview with Mr. M. H. Ismail, Indian Government Trade Commissioner in East Africa.

The Committee had an interview with Mr. M. H. Ismail on the 18th February, 1941, when several merchants connected with East African trade were invited. Mr. Ismail referred to the dominant position of Japan in the trade with East Africa

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especially with regard to textiles and urged that the Indian traders should study the East African market with a view to understand the exact requirements of the market which allowed considerable scope for Indian articles.

Questionnaire issued by the Fact-Finding Committee (Handloom & Mills).

The Committee in their communication dated 27th June, 1941, addressing the Fact-Finding Committee (Handloom & Mills) in regard to the questionnaire, pointed out that it would not be proper to enforce any restriction regarding the kinds of yarn used by handlooms and mills as it would be difficult to administer such a restriction. The fact that the Handloom industry had continued to make progress in the face of growing competition from the mill industry was sufficient to prove that the industry had inherent economic strength. As the handloom industry generally was consuming lowest counts of yarn the manufacturing costs were also kept low which made it possible for the industry to compete favourably with the mill industry in low counts. As regards the cloth turned out from the finest classes of yarn by the handloom industry, this industry was placed very favourably against the mill industry, in that the handloom industry had perfected special artistic designs which were in great demand. Besides, handloom products found a preference in the local markets situated near centres of production. The Committee suggested that with a view to alleviate the difficulties in respect of finance and organisation experienced by the handloom industry, Government should render necessary assistance by financing the needs of the industry whereby the cottage industries which had proved their existence in the general economy of the country would be helped. In view of the large foreign demand for the products of the handloom industry, instructions should be issued to the Indian Government Trade Commissioners in foreign countries to assist this industry by expanding the market for handloom products in their respective places. They

suggested in this connection that a permanent collection of typical handloom goods of artistic designs should be maintained at the office of every Indian Government Trade Commissioner. Closer collaboration between Indian Trade Commissioners and Provincial Directors of Industries was urged in regard to special designs and standardisation of handloom products whereby the industry would be in a position to cater with benefit to the foreign markets by continued demand.

Third Price Control Conference.

By a letter dated 24th September, the Government of India informed the Committee that it was proposed to convene a conference of representatives of Provincial Governments and certain Indian States at Delhi on 6th October, 1941, to discuss the advisability of adopting measures of price control with particular reference to the prices of food grains, cotton yarn and cloth, etc. The letter further invited the views of the Committee on the question of the control of prices at the primary wholesale rate generally and with special reference to the commodities referred to above.

In a reply dated the 11th October, the Committee expressed themselves against any proposal for official control of prices. In doing so, after tracing the history of the question, they pointed out that prices of staple commodities of the country were still in need of considerable recovery and that in so far as the export products were concerned any question of control would be suicidal. In respect of manufactured goods particularly cotton yarn and cloth the Committee pointed out that efforts should be made to increase the supply as then the natural forces working in the market in which competition was free might be expected to bring about a fair adjustment of the price situation.

The Committee had also suggested to Government in connection with the conference that it would be desirable to invite representatives of Commerce and Industry to attend

the conference. Government, however, in reply pointed out that the conference was intended to be of representatives of Provincial Governments and Indian States and that it was not possible to invite representatives of commercial interests. They, however, added that Chambers of Commerce and other commercial institutions had been requested to send their views on the question coming up for discussion at the conference.

It may be added that representatives of the Millowners Associations were invited to attend the conference in an advisory capacity.

Election of a Representative of the Federation on the 13th Industries Conference.

The Committee cast their vote in favour of Rajmitra B. D. Amin to represent the Federation of Indian Chambers of Commerce and Industry on the 13th Industries Conference. Subsequently Lala Padampat Singhania was elected.

13th Industries Conference — Handloom Weaving Industry.

It was pointed out to the Committee that the Agenda for the 13th Industries Conference included the question of handloom weaving industry. In this connection a letter was addressed to the Government of India on 11th September, pointing out that as the matter was at present under investigation by a Fact Finding Committee, Government should, before considering the question further, await the report of the said Committee and circulate the same when ready for the opinion of commercial institutions and formulate their views on the proposals only thereafter. Under the circumstances, the Committee suggested that the item in question should be taken away from the Agenda of the Conference.

Curtailment of Area under Short-staple Cotton.

The Government of Bombay along with their letter dated 2nd May enclosed a copy of a letter from the Indian Central

Cotton Committee regarding the proposed curtailment of area under short-staple cotton and invited the views of the Committee on the same. The Committee in their reply dated 13th June desired to know the reasons which prompted the Indian Central Cotton Committee to move this proposal as a similar proposal considered two years ago had been dropped. The Committee in this connection gave a brief summary of their views on the proposal of the Government of India regarding the disposal of the surplus production of commodities in general and pointed out that such proposed curtailment of crops would prove harmful to the agriculturists unless a substitute valuable cash crop was grown in the curtailed area as otherwise the agriculturists would not be in a position even to pay Government revenues. The Committee suggested the distribution of better type of seeds in the areas now under short-staple cotton under the circumstances, and that Government should finance the distribution of such seeds to the cultivators who were not in a position to buy such better seeds.

Standardisation of Industrial Products.

The Government of India along with their letter dated 12th May 1941 enclosed for the information of the Committee a copy of the memorandum of the Government of Bombay placed before the Industries Conference in 1940 on the above subject and desired the views of the Committee on standardisation of industrial products. The Committee in their reply dated 27th June accepted the principle of standardisation of industrial products wherever possible. They felt, however, that the present was not the opportune time for undertaking any steps in that direction. It was added that whenever in future this question might be again considered, Government should bring about standardisation on a voluntary basis and manufacturers and merchants should be left free to introduce standardisation regarding their products.

Election of a Representative of the Federation of Indian Chambers of Commerce and Industry on the Export Advisory Council.

The Committee voted in favour of Mr. Sankalchand G. Shah for election as a representative of the Federation on the Export Advisory Council in place of Mr. Nalini Ranjan Sirkar, resigned. Mr. Sankalchand was duly elected.

Representative of Indian Shipping on the Export Advisory Council.

The Committee in their communication dated the 23rd January, 1941, addressed to the Government of India urged the desirability of including a representative of national shipping interests on the Export Advisory Council as a member. In view of the fact that the Export Advisory Council established by Government had been set up to act as a channel of communication between Government and trade interests with a view to facilitate the discussion of the difficulties arising out of the war time restrictions on exports from the country, and as matters connected with shipping had an important bearing on the problems discussed in this Council, the presence of a representative of the Indian shipping interests on the Council was considered very necessary. The Council had before them questions like requisitions for Government purposes of shipping, basis of allocation of available tonnage, etc., which subjects could be efficiently dealt with by a member who had knowledge of shipping questions. They, therefore, urged Government, to appoint a representative of Indian shipping interests on the Council.

The Government of India in their reply dated 3rd April, 1941, invited the attention of the Committee to the proceedings of the Third Meeting of the Export Advisory Council justifying that there was no necessity for carrying out the suggestion of the Committee as the advice of the Indian Shipping Advisor or someone having knowledge of shipping was available to Port Committees as well as the Export Advisory Council.

The Committee in their reply dated 15th April categorically stated that a representative of the Indian shipping companies should be nominated as a full-fledged member of the Export Advisory Council, as in their opinion, the Indian Shipping Advisor or someone having knowledge of shipping was not enough to represent national interests. Many a time the agenda of the Export Advisory Council contained questions which were of interest to shipping companies. They therefore suggested that it would be just and fair to allow direct representation to national shipping interests on the Export Advisory Council.

Indian Government Trade Commissioner in U. S. A.

The Indian Chamber of Commerce of America in their communication dated the 4th October, 1940, enclosed a copy of the resolution urging the desirability of appointing only Indian nationals to the post of Trade Commissioner in America. The Committee thereupon addressed the Government of India drawing their attention to the resolution of the Indian Chamber of Commerce of America and urging that only Indian nationals should in future be appointed as Trade Commissioners in America.

Import of Manufactured and Raw Products into Cutch State.

The Committee were informed that an anomaly existed in the Customs procedure relating to Cutch State in that whenever any duty paid goods were exported to Cutch State, the usual drawback of ⅞ths of the duty was not allowed on such exports, which was allowed in the case of other ports. The facility which was accorded for the Portuguese and French India was thus denied for the Cutch State in respect of such drawbacks. The Committee in their communication dated 19th June addressed to the Government of India inquired whether the information conveyed to them was correct and if so, what were the reasons for not allowing such drawbacks.

Canteen Contractors Syndicate.

The attention of the Committee was drawn to the Amendment made in the Memorandum of Association of the Canteen Contractors Syndicate, whereby the Syndicate would be free to carry on business as general merchants, importers and exporters with the previous consent of the Quarter Master General in India. The Committee thereupon addressed on 21st July, 1941, the Government of India, drawing their attention to the open competition in which the Syndicate would launch with other public traders, as previous to this Amendment, the Syndicate was entitled to transact business only with the military canteens and military supply centres for which sole purpose the Syndicate had come into existence. The Committee were of opinion that as the Syndicate would be allowed to do open business with the public only after the previous consent of the Quarter Master General, Government through the Quarter Master General should withhold such consent as the same would operate to the great disadvantage of other traders. This was necessary in view of the fact that the Syndicate had many privileges and facilities of a concessional character which the other traders had not. They also suggested that the Syndicate should be made to purchase stores and supplies by a system of open tenders similar to the one in force in respect of the supply of stores through the Indian Stores Department.

A reply was received from Government dated 26th September in which it was mentioned that the Syndicate had assured Government that it was not their intention to extend their activities among the general public. In reply to the suggestion made by the Committee that the Canteen Contractors Syndicate should institute a system of open tender for their purchases, Government pointed out that the Syndicate was a private company and as such Government had no authority over the purchasing policy of that body which was mainly decided by its Board of Directors.

Government Monopoly for Cocoanut Oil Crushing Industry in Zanzibar.

It was represented to the Committee that the Zanzibar Government proposed to introduce a system of monopoly for crushing cocoanut oil in that country ; and as there were a number of Indian-owned oil crushing factories in that country, the proposed step was bound to affect Indian interests adversely. The Committee thereupon in their letter dated 17th September requested the Government of India to make inquiries if the report in question was correct and if so to represent the matter to the Zanzibar Government with a view to safeguarding the interests of Indian businessmen there.

In their reply dated 20th November, 1941, Government admitted that the question had been under the examination of the Zanzibar Government earlier in the year, but for the present the matter was not being actively pursued by them.

Indian Stores Department Tenders and Manufacturers' Invoices.

The attention of the Committee was drawn to the introduction of a new condition impressed by a rubber stamp on the printed tender forms of the Indian Stores Department which required the production of manufacturers' invoices with a view to ascertain whether the rates accepted were reasonable or not. The Committee thereupon addressed the Chief Controller, Indian Stores Department, objecting to the introduction of the new condition which, in their opinion, was a limitation on the finality of contracts entered into between the Department and the tenderers. They maintained that their acceptance of the tender was based on the price quoted and that there was no justification for going behind the accepted rate by requiring the production of manufacturers' invoices in regard to the goods tendered. Such action on the part of the Department amounted to requisitioning the supply of the goods in question at such rates as Government might

decide. The Committee stated that in fairness to trade, such a condition should not be incorporated in the tender form and that the price settled on the basis of the tender should prevail without any reservation.

Bank Holidays as *dies non* at the Port Trust Docks.

The Committee were informed that such Bank Holidays on which the Custom House was working were treated by the Port Trust authorities as working days for the purposes of wharfage charges. In a letter addressed to the Manager, Bombay Port Trust Docks, on 17th September, the Committee pointed out that as the procedure in question reduced the free period available to the merchants and that on Bank Holidays the normal facilities were not available to the trading community, they should be treated as *dies non* for purposes of Port Trust charges.

Custom House Badges.

The Committee in a communication dated the 10th January, 1941, addressed to the Collector of Customs invited his attention to their suggestion made in the year 1938 with regard to the desirability of introducing a system of badges for clerks of mercantile firms who did their clearing and forwarding work privately. The Committee welcomed the recent introduction of the system of issuing badges for Clearing Agents and Dalals. They, in this connection, reiterated that clerks of mercantile firms also should be provided with such badges and that the badges issued to the Dalals and mercantile firms doing such business should be distinctive.

The Collector in his reply dated 28th January promised to issue such badges to the clerks of mercantile firms provided the present scheme of badges for the Clearing Agents and Dalals proved successful.

Chrome Stocks in India — Government Control.

The attention of the Committee was drawn to a Government notification under which all the holders of stocks of

sodium bichromate, potassium bichromate and chrome compounds had been called upon not to use, sell, exchange or otherwise dispose of their stocks and were directed to submit to Government a statement of such stocks in their possession. The Committee thereupon addressed the Government of India on 19th June requesting them to expedite delivery of such stocks as were required by them, as otherwise the dealers concerned would be penalised as their stocks would be frozen for the time being and their capital locked up, which would handicap them from investing the capital thus locked up in such stocks in other lines of business. They stated that the chemicals in question were required by different indigenous industries and if they were not supplied with such requirements, the industries concerned would also suffer.

Government in their reply dated 27th June, 1941, informed the Committee that the returns of the stocks of Chrome Compounds in the country had been completed and dealt with and such of the stocks as were not required for transfer had been released.

Indian Trade Missions Abroad.

During an interview the Committee of the Chamber had with the Hon'ble the Member for Commerce, Government of India, the question of sending out Trade Missions to foreign countries was discussed. The Committee in this connection addressed the Government of India on 8th September, 1941, with regard to the feasibility of sending out Trade Missions to foreign countries and stated that such a step on the part of Government would result in great advantage to the country. The Committee were of opinion that it was not difficult to find suitable Indian personnel to constitute such trade missions. They suggested that Government should approach important Chambers of Commerce in the country for the purpose of nominating suitable Indians to constitute such missions. Government would thus have a panel of names of persons willing to take part in such trade missions, from which Government could select a suitable personnel.

Appointment of Non-Official Advisers for Indo-Burma Trade Negotiations.

Mr. M. A. Master and Mr. Kasturbhai Lalbhai were elected to represent the Federation of Indian Chambers of Commerce and Industry as non-official Advisers for the Indo-Burma Trade Negotiations.

Indo-Burma Trade Talks.

The Committee in a telegram dated 30th December, 1940, addressed to the Government of India supported the view of the Bombay Rice Merchants Association that the Government of Bombay should be represented at the Indo-Burma Trade Negotiations as the share of Bombay with regard to trade in Burma in rice was considerable. It was pointed out that similar representation was given to the Governments of Madras and Bengal. Government in their reply dated 2nd January, 1941, informed the Committee that it had been decided to invite the Government of Bombay to nominate an Adviser to be associated with the non-official Advisers for the said negotiations.

The Committee thereupon drew the attention of the Government of Bombay to the decision of the Government of India in this regard and requested that a non-official should be appointed to represent the Government of Bombay in consultation with the Chamber and the Bombay Rice Merchants Association. The Government of Bombay in their communication dated the 9th January informed the Committee that they had nominated Mr. Mathuradas C. Matani, President of the Bombay Rice Merchants Association, to serve as their representative for the said negotiations.

Indo-Burma Trade Talks and Preference to Indian Flour in Burma.

In a communication to the Government of India dated the 23rd January 1941, the Committee emphasised the necessity for continuing the preferential treatment afforded to Indian

wheat flour under the existing Burma tariff and that the said preference should be incorporated in the Indo-Burma Trade Agreement now under negotiation. It was stated that a duty was levied in Burma on imports of foreign flour under the terms of the Indo-Burma Trade Regulation Order, but the Indian flour was exempt from this levy and was therefore in a position to compete with imported flour in the Burma market. If this preference was withdrawn from the new agreement, Indian exports of flour to Burma would suffer. The Committee informed Government that it had come to their knowledge that the Government of Burma were considering the question of imposing an import duty on foodstuffs which would include flour. The Committee had no objection to taking such a step on the part of the Government of Burma for revenue exigencies. They however stated that if such a levy was unavoidable the margin of preference given to Indian flour should be maintained, i.e., the Indian flour should be subjected to a rate of duty which is less by 25% than the rate applicable to foreign flour.

Indo-Burma Immigration Agreement.

On 2nd August, 1941, the Committee addressed to the Government of India, a telegram protesting against the terms of the Indo-Burma Immigration Agreement, which was in their opinion a direct violation of the Government of Burma Act, under which no discrimination was envisaged in regard to travel, residence, holding of property, occupation, trade, business, etc., in the case of Indians. It was regretted that the agreement turned down the assurance given regarding the rights of Indians in Burma at the Round Table Conference and safeguards referred to during the passage of the Burma Act. It was also regretted that the non-official Indians were excluded from the negotiations resulting in this agreement, whereunder Indians were required to secure permits for entrance into Burma, to pay residential fees, etc. The clause requiring registration of Indians in Burma as also the clause relating to marriage, etc., was deeply resented by the Indian Public. It was urged that the Government of India should

not ratify this agreement but on the contrary should move to get it revised in the light of public opinion which demanded that the legitimate rights of Indians in that country should be maintained.

Indo-Ceylon Negotiations.

In view of the humiliating terms foisted upon Indians in the recent Indo-Burma Immigration Agreement, the Committee addressed a telegram to the Government of India on 2nd August, 1941, earnestly requesting to postpone negotiations for Immigration Agreement with Ceylon, till the Government of India had radically revised the objectionable features of the Indo-Burma Immigration Agreement. They were of opinion that the unjust terms incorporated in the Burma Agreement were the result of separate consideration of the trade agreement and the Immigration Agreement with regard to Burma, which agreements should have been negotiated at one and the same time. They emphasised that the delegation to Ceylon with regard to the proposed Ceylon Immigration Agreement should include non-official Indians elected by Commercial and other interests and both the Trade and the Immigration agreements must be arrived at simultaneously.

Restriction on Emigrants from India to Aden.

The attention of the Committee was drawn to the imposition of certain new restrictions by the Government of Aden on emigration from India to that country. They thereupon addressed the Government of India on the 19th December and referred to the assurance given by the Government of India on behalf of His Majesty's Government at the time of separation of Aden from India, which was to the effect that "no racial legislation or seggregation would be permitted by His Majesty's Government". The Committee regretted that in spite of such an assurance, the Government of Aden had been permitted to impose restrictions, which were, in the opinion of the Committee, reactionary and would lead to curtailment of the trade and business activities of Indian

residents in Aden. They also feared that these restrictions would eventually result in the gradual elimination of Indians from that country. It was emphasised that at a time, when closer relations between India and a Colony like Aden should have been encouraged, a move should have been taken by the Government of Aden to vitiate such relations. The Committee informed Government that according to these restrictions, new comers were not to be allowed and firms closing their business since May, 1940, were not to be allowed to resume business. New employees were not to be permitted except as substitutes for those leaving the Colony and Managers and Partners were not to be permitted entry except as substitutes or visitors for a stated period. Employees were permitted to enter Aden for a period, in the first instance, of only six months, whereafter they would be required to secure a permit to prolong their stay. The employers were required to make a deposit to meet the repatriation expenses of their employees, in spite of the fact that the employer was required to place such a deposit with the Emigration Office in India for an employee leaving India for service abroad.

The Committee urged that such restrictions would discourage Indians from contemplating any trade ventures in Aden. It was suggested that representation of Indian interests should be provided on any Board that might be set up for the purpose, for complying with these Emigration Restrictions. The Committee requested the Government of India to take up the matter with the Government of Aden and the Colonial Office and to see that the Regulations in question were not put into effect in their present form.

Trade Treaty with Australia.

On a suggestion received from the Hon'ble the Member for Commerce, during an interview the Committee had with him that the Government of India were prepared to enter into a trade treaty with Australia, the Committee addressed the Government of India on 8th September, 1941, requesting Government to take steps to negotiate for such a treaty with

Australia, as they felt that a treaty with Australia, if negotiated in the interests of the public concerned, would prove of great benefit to this country. They also suggested that in any negotiations taking place in this regard the legitimate rights of Indians with regard to travel, residence, business, etc. in that country should be taken into account.

Elimination of Indian Merchants from Trade in Japan.

The Committee were informed that certain trade practices adopted in Japan were calculated to lead to the elimination of Indian merchants trading there. The Committee thereupon addressed the Government of India on the 15th April, 1941, drawing their attention to the encouragement given by the Japanese Government to several Trade and Manufacturers' Associations brought into existence with the object of controlling their exports in different commodities under trade arrangements with different countries and particularly with regard to India following the Trade Protocol between India and Japan. According to the Trade Protocol import of Japanese articles into India was regulated by quotas to Japanese exporters. These Associations had practically monopolised the export lines to India by restricting the allocation of quotas for export to India mainly to Japanese exporters. The usual practice of these Associations was to distribute the quota for export of Japanese goods amongst the various exporters according to their past average shipments to India which in practice resulted in the elimination of Indian businessmen from their legitimate share in the Japanese export. This was effected by a growing higher percentage of quotas being distributed amongst the Japanese exporters. The Committee informed Government that a few lines were still in the hands of the Indian merchants, one of which was the export of Japanese Art Silk which was 80% controlled by Indian merchants. The Committee feared that some of the remaining lines would also go under the control of the Japanese exporters if matters were allowed to drift as they did at present. It was suggested that Government should effectively

intervene with a view to safeguarding the interests of Indian merchants and that quotas should also be fixed at this end.

Trade Relations between India and Japan.

In their communication dated 21st August, 1941, addressed to the Government of India the Committee referred to the Government Notification dated 26th July, 1941, in respect of trade relations with Japan and stated that although the said notification clarified to a certain extent the operation of accounts between the two countries there was no direction given with regard to the commitments of Indian merchants having trade dealings with Japan. The Committee pointed out that the implications arising out of the complete severance of the business relations with Japan would be of an involved nature and therefore they urged Government to clarify present situation with regard to trade relations with Japan.

In a reply dated 12th September Government pointed out that in the existing circumstances, it was not possible to make a general statement regarding the position of trade contracts with Japan and that if the Chamber had in view any particular question, the same might be stated specifically in order to enable Government to give their opinion on such specific issues. The Government also added that the question of regulating future trade with Japan was under active examination. In a further letter dated 6th October the Committee raised the specific issue of contracts entered into prior to the freezing order for the export of raw cotton to Japan. They pointed out the difficulties presented by the developments in the Indo-Japanese relations in so far as they affected the Indian export trade to Japan and suggested that in order to prevent the existing state of uncertainty Government should allow exports of shipments covered by contracts entered into before the 26th July. On 29th October the Committee followed the matter up with a further telegram requesting that as Government had not specifically prohibited export

of cotton, they should announce that contracts prior to the freezing order would be licensed for export purposes. A reply was received from Government by telegram dated 31st October in which Government regretted their inability to relax existing orders governing exports to Japan. The Committee sent a further telegram on 6th November in which they pointed out that Government's policy amounted to prohibition of cotton shipments by Indian nationals against their sales and as such, under the plea of *force majeure* Japanese buyers would consider themselves relieved of the obligations under the contract. At the same time Indian nationals would be called upon to pay accrued debts to the Japanese in respect of previous transactions. In the circumstances, in justice to Indian interests, it was necessary that Government should issue orders forbidding Japanese nationals to collect dues from Indian nationals. If necessary such debts might be paid into a separate account with the Reserve Bank without the Japanese having any right of access to the said account.

Demand for Increase in Contracted Prices by the Japanese Exporters.

The Bombay Yarn & Silk Merchants Association drew the attention of the Committee to complaints against the attitude of the Japanese exporters in demanding an increase in contracted prices in respect of contracts entered into previous to the recent developments in the Indo-Japanese relations. Japanese exporters, it would appear, were asking for an increase to the extent of 10 to 15% for outstanding contracts or alternatively were proposing to cancel such contracts under the excuse of orders from the Japanese Government or Exporters Association. Some parties were, however, willing to enter into fresh contracts for the same orders at higher prices.

In a letter dated 9th October addressed to the Government of India, the Committee pointed out the injustice done to

the Indian merchants by the above demand of the Japanese exporters and urged that Government should take up the matter with the Japanese authorities and safeguard the interests of the Indian importers. The Committee pointed out that the attitude of the Japanese exporters would undermine the sanctity of contracts.

The Government of India in their reply dated 27th October, 1941, desired to be furnished with information as to the classess of goods to which the complaint related. The Committee in their reply dated 14th November, informed Government, that the demand for an increase in contracted prices related to rayon, staple and cotton yarn. They further stated that raw, spun and thrown silk contracts entered into with the Japanese firms prior to the freezing order had been unconditionally cancelled.

Quota for imports of Japanese Piecegoods.

The Committee were informed that the Import Trade Controller, Bombay, would henceforth allocate quota in money for imports of silk piecegoods from Japan on the basis of the market value of the goods to be imported into Bombay and not on the c.i.f. value of such goods. The Committee thereupon addressed the Government of India on 20th February stating that the market value not being a constant factor could not be a fair basis for the allocation of quota. They also informed Government that the Import Trade Controller would only allow merchants to take delivery of such portion as would be covered in value by the quota allowance. They also referred to Calcutta, Karachi and Madras where goods under quota were allowed to be imported on the basis of the import value and not the market value. They urged that the recent orders of the Import Trade Controller in this connection should be withdrawn and that the imports of goods under quota should be allowed on the basis of c.i.f. value. Subsequently orders were issued by Government for the calculation of quotas on c.i.f. basis.

Evacuation of Indians from Japan.

Consequent upon the development in Indo-Japanese relations following the Freezing Order of 26th July, the Committee sent a telegram on 14th August to the Government of India urging immediate steps for the evacuation of Indian residents in Japan. In their reply dated 30th August, Government informed the Committee that the matter was receiving their earnest attention and that every step possible was being taken to arrange for the evacuation of those British Indians in Japan who were anxious to return to this country.

Import Trade Control.

The Committee received representations from trades like paper, fountain pen, iron and steel, dye-stuffs, chemicals, etc., regarding difficulties experienced by them on account of the control policy of the Government of India both as regards imports and exports. The Committee thereupon addressed the Government of India on 20th February drawing Government's attention to their previous representations on the question. They also referred to the interview they had with the Commerce Member when they had placed before him the difficulties of the merchants with regard to the control policy of Government. Further they detailed out the specific difficulties encountered by the merchants in this regard and made several suggestions to remove them which were briefly as under :—

(1) whenever a control was instituted, the same should come into operation only from the date of the notification announcing the same, and on no account retrospective effect should be given ;

(2) all orders and firm contracts placed or executed before the date of the coming into force of any control should, as a matter of course, be allowed to be imported, and licences for such imports should *ipso facto* be granted ;

(3) in the case of orders for which merchants had already opened confirmed letters of credit, if licences were not granted in time, considerable inconvenience and loss would arise by either the credits being not renewed within the time stipulated or the credit amounts being drawn against; licences for goods covering such orders should not be withheld;

(4) in the matter of fixing quotas, the period selected as the basis for such quotas should be determined in consultation with the representatives of the trade concerned and should be announced in advance;

(5) an Import Advisory Council, with subsidiary committees at different Ports, be appointed to discuss and settle points involving practical difficulties;

(6) an Import Controller for Steel in Bombay should be appointed; and

(7) steps for giving wider publicity to the import control notifications and rules thereunder should be taken.

Government in their reply dated 27th March, 1941 agreed to the suggestion of the Committee in regard to the application of import control on any article from the date of the Notification and not with retrospective effect. They also gave an assurance that due consideration would be given to the proposal for giving licences for the import of goods, which were the subject of firm contracts entered into before the date of the Notification. Suggestions with regard to orders backed by irrevocable letters of credit and the appointment of an Import Advisory Council were under consideration. They were, however, not agreeable to the suggestion of fixing quotas and to determining the period selected as the basis for calculation for the same in consultation with the representatives of the trade or to announce the same in advance. The appointment of an Import Controller for steel in Bombay was, in their opinion, not necessary at this stage.

The Government had stated in their previous communication " that they will give due consideration to the proposal that licences for the import of goods which are the subject of firm contracts entered into before the notification should be granted *ipso facto*." The Committee in this connection addressed the Government of India on 5th June, 1941 desiring to know if any instructions had been since issued to the Officers administering the Control scheme regarding the extent of the preference admissible to firm contracts entered into before the coming into force of the control. The Committee pointed out an instance in which Government had replied to a member-firm in this connection that their above statement did not " constitute an assurance to grant licences *ipso facto* in the circumstances in question." The Committee sought further clarification of the statement of Government in question.

The Government of India in their reply dated 6th August, 1941, informed the Committee that the statement under reference did not constitute an assurance that licences would be granted in all cases without restriction or exception. With regard to firm orders covered by irrevocable letters of credit or against which advance payment had been made before the restriction was imposed, they stated that the same should be licensed provided that in case of orders covered by irrevocable credits shipment was made within the unextended period of currency of credits. The Committee in their reply dated 18th August informed Government that the licences should not be refused merely because the period of the currency of credit might have lapsed as in these uncertain days very often it was impossible to secure freight.

The Committee's attention was drawn to a supplementary Government Notification dated 10th May, 1941, whereby the control was extended to a further list of articles. With regard to this fresh extension of control, the Committee regretted that although the public were made aware of this Notification on the 12th of May, the Control was sought to be applied to all goods which had not been despatched before the 10th of May. The result was that all commitments already made before the date of the extended control could not be

carried out and no relief would be forthcoming. The Committee drew the attention of the Government of India to the grave injustice that was being caused to Indian trade by their refusal to consider the question of prior orders or firm contracts entered into before the date of the control notifications.

Import Control of Dyes.

The attention of the Committee was drawn to a circular dated 21st December, 1940, from the Import Controller in respect of import control of dyes whereby licences were required to be secured by merchants for importation of coal-tar dyes. According to the circular, licences would be granted to regular importers for import of goods proportionately to their imports during the 8 months, April to November 1940. On receiving complaints in this regard from merchants concerned, the Committee sent a telegram to the Government of India on 10th January drawing their attention to the feelings of anxiety and nervousness that had been caused in trade circles on account of the circular. It was pointed out that India had entirely to depend on imported dyes for consumption in the country. They stated that if for considerations of conserving currency resources Government had decided to impose this control, the administration of the control should not lead to any hardship to industries and trade interests concerned. Objection was also taken in respect of the quota arrangement whereby imports would be allowed to merchants on the basis of 8 months, April to November, 1940. With regard to the fixation of individual quotas, it was urged that the Imperial Chemical Industries (India) Ltd., should not get any weightage in the share of the imports as they had acquired huge stocks of Chemdyes Ltd.

In connection with the administration of the Import Control of dyes, the Committee in a letter addressed to the Government of India recommended that in the matter of the allocation of quotas, mills or factories should be consulted

in advance as to the particular quantity or quality of dyestuffs required by them and the importers should use the quota in the first instance, in getting such specific supply and that only after the industries' demands were satisfied, importers should be entitled to enter into fresh or additional commitments.

In a further communication dated 11th October, the Committee referred to their previous request regarding priority being granted to the mills and factories for their requirements through the regular importers and drew the attention of Government to the case of hardship experienced by the Bombay Union Dyeing Mills in obtaining quota under the present scheme of control. Although this concern had imported in the past large quantities of dyestuffs, they were not allowed under the present scheme any quota, as they had not to their credit any imports for the year 1938-39. The Committee suggested that Government should at least allow the mills the benefit of a quota proportionate to their previous imports to be availed of through registered importers. Government in their reply dated 27th November informed the Committee that the question was being examined again in relation to the establishment of the Textiles Directorate of the Supply Department at Bombay.

The Committee again addressed Government on the 9th December regarding the practical difficulties experienced under the Control scheme whereby registered importers were allowed quotas on the basis of their imports during the calendar year 1940. In this connection it was requested that the case of established importers who had in previous years been importing from Continental countries like Italy, Holland and France should be considered and they should be allowed additional quotas on the basis of their previous imports from Continental sources. Reference was also made to the position created by the recent developments in trade with Japan, and it was requested that the quotas allowed to importers of dyestuffs from Japan should be allowed to be transferred for imports of dyes from elsewhere.

Indian Match Industry and Import Control Regulations.

At the instance of the Indian Match Manufacturers Association of Bombay, the Committee addressed the Government of India on 12th March pointing out certain difficulties experienced by the Match industry as a result of the stoppage of supply of certain essential materials required by the industry. The attention of Government was drawn to certain requirements of the Industry amongst which were blue match paper, kraft paper, waterproof ocean..paper and certain chemicals the import of which had become difficult owing to the war. It was stated that with the introduction of import control on paper, licences were required for the import of the same. As given to understand, if Government were to issue licences to the exent of only 25% of the quantity purchased in the year 1940, such restricted supplies of paper would act very harshly on the industry. Besides, the requirements of these papers were purchased either from the bazars or from Japan and therefore the fixing of the quota on the basis of the quantity purchased in the year 1940 would be unsuitable for those manufacturers who had indented their requirements from America. The Committee urged that permission should be given to import the full requirements of the factories as otherwise production of the match factories would be hampered. It was also urged that similar latitude should be given in case of the chemicals required to be imported for match manufacture.

The Committee in this connection addressed the Board of Scientific & Industrial Research as also the Director of Industries, Bombay, suggesting the need for investigation of the possibilities of manufacturing the requirements of match industry in the country.

The Government of India in their reply dated 3rd April stated that the question of the supply of paper required by the Indian match industry was under their consideration. Regarding chemicals required for the industry they stated that there was no restriction on the importation of any of the chemicals except bichromate of potash. They assured

that with regard to bichromate of potash licences were being granted on the basis of previous imports and that they would carefully consider each application of the match manufacturers for the importation of the same.

The Director of Industries, Bombay, in his reply dated 22nd July, 1941, stated that the Government of India would consider the question of issuing special licences to manufacturers of matches for the importation of various kinds of paper required by the industry on receipt of an application in this respect.

Import of Aluminium Foils.

In pursuance of Government restriction on import of Aluminium in all forms from all countries, import of Aluminium foils required for wrapping cigarettes was made difficult. The Committee thereupon in their communication dated 13th May, represented to the Government of India, that such restriction on imports of Aluminium foil was causing hardship to cigarette factories which required the article for the preservation of their manufactures. They referred to the correspondence between the Golden Tobacco Co. and Government on the subject and stated that the view of the Government that Aluminium foils were not absolutely essential for wrapping cigarettes was not justified, as the imported brands as well as the products of the foreign owned cigarette factories in India were continuing to be wrapped in Aluminium Foils as a result of which the indigenous factories were not able to compete with such brands. They, therefore, requested Government to grant the necessary licence to the indigenous Tobacco factories for importing their requirements of Aluminium foils.

Government in their reply dated 23rd June, 1941, informed the Committee that while there was no discrimination being made in the matter of importation of Aluminium foils, they were of opinion that the foil was not necessary as some factories overseas had changed over to the lead foil for wrapping cigarettes. Under the circumstances, they informed the

Committee that they were not in a position to comply with their request.

Import of Cashewnuts.

It will be recalled that as a result of representations made to Government, restrictions on import of Cashewnuts from Portuguese East Africa had been relaxed by Government as recorded in the Report of the Committee for the year 1940. The Import Trade in Cashewnuts was again placed in a difficult position by Government, by including Portuguese Territory in the list of difficult currency countries, as a result of which an absolute embargo began to operate on such import trade. On receiving representations in this connection, the Committee by their telegram dated 3rd July, 1941, informed Government about the hardships that the importers of Cashewnuts would have to suffer as a result of the embargo operating on account of inclusion of Portuguese Territory in the list of difficult currency countries and requested that licences for import of Cashewnuts should be freely granted. Government in their telegram dated 18th July informed the Committee that instructions had been issued to the Import Trade Controller to issue licences for the import of Cashewnuts from Portuguese East Africa.

Import of Machinery and Machine Tools, etc.

The Federation of Indian Chambers of Commerce & Industry in their communication dated 22nd August, 1941, requested the Committee to forward to them the difficulties experienced by the trading community with regard to import of machinery and machine tools and the grant of priority certificates required for such imports under the Government Import Control Scheme. Accordingly the letter of the Federation was circulated among the members of the Chamber with a request to send their difficulties direct to the office of the Federation.

Essentiality Certificate for the Import of Electrical Equipment.

In a letter dated 28th November 1941 addressed to the Government of India, the Committee supported the application of the Alembic Chemical Works Co., Ltd., for the grant of Essentiality Certificate required for the import of electrical equipment for the works of the company. It was added that the company was supplying considerable quantity of drugs and medicines for war requirements and if their application for the grant of Essentiality Certificate for importing necessary electrical equipment was not granted, the productive capacity of the company would suffer.

Unlimited Licence Numbers of U. S. A.

In their communication dated 24th July, 1941, the Committee drew the attention of the Government of India to a Circular issued by the British Purchasing Commission in the U. S. A. to all exporters advising them of the procedure in regard to the use of the unlimited licence numbers, whereunder exports from the U. S. A. to countries in the Empire other than those mentioned in the Notification, would require prior release certificate with each shipment. The Committee pointed out to Government that India was probably the only important country in the Empire which was not exempted from the restriction imposed under the Commission's Circular, whereas other countries like Australia, Canada, New Zealand, Egypt, Union of South Africa, etc., had secured exemption under the Notification. The Committee emphasised that exports from the U. S. A. to India were under the Import Control of the Government of India and it was not understandable why there should have been a further control with regard to such imports into India exercised by the British Purchasing Commission in the U. S. A. The Committee urged Government to take up this matter with the British Purchasing Commission and to take steps to get India exempted from the restriction in regard to prior release certificate required under the Notification of the British Purchasing Commission.

A reply was received from Government dated 27th September in which it was pointed out that the certificate had to be obtained because of certain specific Indian requirements of importation and in following the procedure in question the Government of the U. S. A. or the British Purchasing Commission was not in any way discriminating against India. The reply added that Government were examining as to whether some simplification of the system could not be secured. In a further communication dated 28th November, the Government of India informed the Committee that if any importer found difficulty in getting his order executed, he might approach the Government of India in the Department of Commerce, with full details of the case.

Import of Goods from U. S. A. and other Neutral Countries on Consignment Basis.

In their communication dated 2nd September, 1941 addressed to the Government of India the Committee requested that Government should permit import of goods from the U. S. A. and other neutral countries not in the sterling bloc on consignment basis. The Committee pointed out that the restrictions on imports from these countries were imposed mainly to preserve dollar exchange. They therefore felt that if the exporters in the foreign countries should agree to sell their manufactured goods for importation into India on consignment basis and should also agree to the payment for the same being made only after the war or when Government themselves should permit such payment being made, the question of the availability of the dollar exchange would not arise. In view of the difficult situation existing in the country as a result of many restrictions placed on imports which were necessary for consumption in the country, the Committee urged that the alternative of allowing imports on consignment basis was worth considering.

Government in their reply dated 30th September informed the Committee that they were unable to accept the suggestion that importation of foreign manufactured goods be allowed purely on consignment basis.

Relaxation in Embargo on Foodstuffs Imported from U. S. A.

In their communication dated 8th September, 1941, the Committee drew the attention of the Government of India to the total stoppage of provisions and foodstuffs from the U. S. A. which was at present the premier country supplying this country foodstuffs of quality. While realising the exigencies of the war and the desirability of the curtailment of imports from countries outside Sterling Bloc, the Committee felt that some relaxation was necessary as regards the embargo on foodstuffs was concerned. The Committee in this connection referred to the quota granted by the Colonial Governments in Singapore, and Federated Malay States for the imports of such foodstuffs and suggested that the Government of India also should issue licences for the imports of such foodstuffs on the basis of imports for the years ended March, 1940 and March, 1941.

A reply was received from Government dated 3rd October in which it was pointed out that it was not considered possible by Government to relax the Import Control Regulation so far as foodstuffs were concerned on the lines suggested by the Committee.

Inaccurate Stamping of Indian Piecegoods for Export Markets.

The Director-General of Commercial Intelligence and Statistics in his communication dated 25th December, 1940, informed the Committee about the inaccurate stamping of Indian piecegoods exported from India to East Africa. It was complained that Indian manufacturers and exporters of piecegoods were stamping inaccurate dimensions on the cloth exported to East Africa. Unsatisfactory external marking of bales and packages from India were also referred to in the complaint. The Committee in their reply dated 12th February informed the Director-General that the complaint brought to their notice had been circularised among the members of the Chamber.

Export Licence for Cotton Manufactured Goods.

In their communication dated 5th December, 1941, addressed to the Government of India, the Committee referred to the stipulation with regard to the application for permission to ship goods abroad during any month which required that the application should be submitted to the Export Trade Controller so as to reach his office not later than 20th of the preceding month. As licences granted under this stipulation would be valid only for the duration of that month, any balances left over of the goods licensed for shipment during a particular month would not be shipped during that month and therefore the shippers would be required to apply again for the export of such balances, during the following month. Under the circumstances, the Committee felt that the exporters would be put to much inconvenience on account of the uncertainty of available freight space as well as for securing necessary permits for the export of same on account of technical difficulties created by the procedure laid down for obtaining permits. The Committee therefore suggested that if the restriction in question could not be abolished the procedure should be modified so as to make the licences issued valid for two months.

Exports of Cotton Yarn to Turkey.

The Committee were given to understand that following the recent trade agreement between Great Britain and Turkey, a good number of enquiries for Indian Cotton Yarn for Turkey were being received and that there were possibilities of reviving this trade between India and Turkey, which had almost ceased owing to exchange restrictions placed by the Turkish Government. The Committee, thereupon, addressed the Government of India on the 15th April, 1941, stating that although in war times it was necessary to guard against exported goods reaching the belligerent countries through neutral sources, Government would reconsider the question of permitting exports of Yarn to Turkey in the interest of the Indian export trade which had greatly suffered owing to

war restrictions. The Committee informed Government that the buyers at the other end were prepared to obtain a certified declaration from the British Consul-General that the imported Yarn would only be consumed in Turkey and that they were further prepared to arrange payments of such shipments through London. Under the circumstances, the Committee were of the opinion, that if Government permitted such exports of Yarn from India to Turkey, they would be helping Indian interests.

Export of Indian Piecegoods to Penang.

The attention of the Committee was drawn to difficulties experienced in getting the necessary licences for sending Indian piecegoods to Penang. The Committee in their letter dated 16th September to the Government of India pointed out that when Government themselves were exploring avenues for fresh markets for Indian manufactured goods, it was highly desirable that such restrictions should be done away with. They therefore urged that export licences should be issued freely by the Government of India and if there were any restrictions on imports at the other end, the matter should be represented to the Government of that country with a view to remove the same.

Export or re-export of Raw Silk and Artificial Silk Yarn from India.

It was pointed out to the Committee that consequent upon the recent developments in Indo-Japanese relations, fresh imports either of artificial silk yarn or raw silk would not be possible and that therefore the Indian weaving industry was likely to suffer from a shortage of supplies of these essential raw materials. It was suggested that in order to conserve the available supplies in the country for the use of the Indian industry, Government should be approached with a request to prohibit export or re-export of raw silk and artificial silk yarn, from the country. The Committee considered this matter and came to the conclusion that the Indian industry

should have the use of all the available supplies, and accordingly addressed a letter on 30th October to the Government of India, urging that in view of the existing circumstances, Government should prohibit the exports or re-exports of artificial silk yarn and raw silk from the country.

Government in their reply dated 18th November informed the Committee that action had already been taken in the matter.

Disabilities in Wool Trade.

In a communication dated the 11th January, 1941, addressed to the Government of India, the Committee supported the letters addressed by the Buyers' and Shippers' Chamber, Karachi, to Government in respect of difficulties under the quota system for export of wool to America and with regard to the arbitration clause in the terms of contract for wool purchases on behalf of Government through Messrs. Ralli Bros., Ltd. With regard to the purchase of Indian wool by Government it was urged that the practice of the stocks being sent over to Liverpool on consignment basis should be changed and that His Majesty's Government should arrange to make their purchases in India, the surplus not being required for Governmental purposes, being allowed to be exported freely to America or other countries. It was contended that by such an arrangement Indian wool exporters would be able to realise better prices for American markets. The Committee also objected to the inclusion of the clause with regard to arbitration whereby the arbitrators appointed for the settlement of disputes were to be European merchants and members of the Karachi Chamber of Commerce.

Licences for Export of Oil-seeds.

The attention of the Committee was drawn to the arrangements in connection with the distribution of orders for oil-seeds and oil-cakes on behalf of the British Ministry of Food. It was represented in this connection that the quota arrangements in regard to this distribution of orders were

unfair. The Committee thereupon addressed on 23rd January 1941 the Government of India drawing their attention to the allocation of orders of the Ministry of Food by the East India Grain and Oil-seeds Shippers' Association according to the quotas of the shippers on the basis of shipments of the previous three years ; whereas this Association arranged quotas on the basis of business done in the previous three years in London or through London Houses for shipments to the U. K. or for continental ports, the Indian exporters who had large interests in the exports of oil-seeds and oil-cakes had also direct connections with consumers in Hamburg, Rotterdam, Marseilles, Geneva, etc., in the past. The result would be that business done by Indian exporters outside the U. K. would not be on record in the U. K. The Committee therefore suggested that calculation should be made on the basis of shipments made from India for the purpose of fixing the quota. If this was not done large scale Indian shippers and exporters in the country would be deprived of their just quota. The Committee also complained that the East Indian Grain and Oil-seeds Shippers' Association were placing their business with new shippers in India on lower rates than those fixed by the Ministry of Food, thus cutting out the established exporters and shippers from their legitimate business. They therefore urged that the basis of quota should be fixed on shipments made from India.

The Government of India in their reply dated 4th February informed the Committee that they were not in a position to interfere in this matter as it was for His Majesty's Government to select firms through whom orders would be placed for the purchase of oil-seeds from India.

The Committee in a further communication dated the 14th February to Government requested that the just demand of the Indian merchants for fair allocation of orders should be placed before His Majesty's Government by the Government of India. A few firms who got orders according to the present arrangement enjoyed a sort of monopoly with the result that the price of groundnuts had deteriorated to the

great detriment of the agriculturists. It was urged that Government should take up this matter in the interests of the Indian agriculturists as also in the interests of the export trade and help in the distribution of orders among all Indian exporters on the basis of the share of the trade enjoyed by such exporters in the previous years.

A further reply dated 3rd September was received from Government forwarding a copy of a Memorandum on the subject prepared by the Indian Oil-seeds Shippers Association of London. Under the procedure as outlined in the Memorandum the quotas allocated to different shippers were to be based on the quantities exported by such shippers to all destinations during the three years ending May 1939. Government in their letter also added that if any shipper had not received his due share on the above basis, he should be advised to represent his case to the East Indian Grains & Oil-seeds Shippers of London.

Export of Linseed Oil to New Zealand.

At the instance of a member-firm the Committee addressed Government on the 14th February, 1941, regarding New Zealand Government authorities not granting licences for the import into that country of Indian linseed oil. The Committee desired to know whether Government had information as to the circumstances under which the New Zealand Government authorities had restricted such imports and whether Government had knowledge of the details of the licensing scheme in question. It was urged that Government should take steps to secure permission from the New Zealand Government for exports of linseed oil from India to that country.

In a reply dated 16th October, 1941, the Committee were informed by Government that the New Zealand Government authorities had agreed that importers of linseed oil, who had been granted licences to import such oil from the United Kingdom, might utilise such licences for imports from Australia or India at their discretion.

Control on Export of Metal Containers.

Complaints were received from exporters of oils that hardships were being caused to them by the recent control instituted by the Government of India on the export of metal containers. It was pointed out that articles in liquid form like linseed oil, groundnut oil, castor oil, etc. could not be sent out without these containers, and in view of the uncertainty caused by the export control, the trade was handicapped in entering into or fulfilling commitments in respect of exports of oils. In a letter dated 31st October addressed to the Director-General of Munitions Production, the Committee pointed out that the use of these containers was unavoidable in the case of exports of liquid articles like oils, and urged that the control in question should be withdrawn.

The Committee in a further telegraphic communication dated 28th November informed the Government of India about the difficulties in obtaining licences for export of metal containers as a result of which shipping space already secured at considerable difficulty for the export of such containers had to be foregone in the absence of licence permits. It was added that in many cases the containers used for export were second-hand ones of foreign make which might be useful for no other purpose. It was urged that the export control on containers should be withdrawn or so modified as to help the exporters in fulfilling their commitments abroad.

Restriction on Exports of Brass-ware.

At the instance of Messrs. Hiranand Valiram, brass-ware exporters, the Committee addressed a communication on the 8th May, 1941, to the Government of India in the matter of the difficulty arising out of the extension of the scope of export control to brass and brass-ware also. While admitting the necessity of applying the rules and regulations under the Export Control Scheme in case of metals as a war-time measure, the Committee contended that the brass-ware in question were articles of art and curios and could not be considered as mere metal. The Committee submitted that they were

given to understand that other exporters in Bombay had been granted permission to export brass-ware ; in view of this they requested Government to extend the benefit of an export licence in case of Messrs. Hiranand Valiram also.

Exports of Rice from Burma.

In regard to the proposal of the Burma Government to institute a system of monopoly for exports of rice from that country under which the whole export trade would be controlled by Government, the Committee sent a telegram to the Government of India pointing that such control would affect the interests of established Indian traders who had been in the rice export trade for years together. The Committee requested that representations be made to the Burma Government with a view to the proposal being abandoned.

Commandeering of Steel Stocks.

The Iron Merchants Association informed the Committee that the Controller of Supplies, Bombay Circle, had called for information, from merchants concerned, about stocks of specified items of steel and steel materials and at the same time prohibited sale or disposal otherwise of such stocks without the previous permission under the Defence of India Act. Subsequently the said merchants were asked to reserve specified portion of the stocks for Government use as war supply. Further, the merchants were informed that the articles so taken over for Governmental purposes would be paid for on the basis of the current price list of the Tata Iron & Steel Company on the date of such requisition. The Committee thereupon addressed the Government of India on 27th June pointing out that while the war requirements had a prior claim on available stocks of essential articles like steel, it was but just and proper that the owners of such stocks should be compensated and paid on a basis which would be deemed fair and equitable. They stated that the quotations of prices by the Tatas were merely nominal, for the company had for a long time ceased to book any business except for

war supplies. The present prices of such stocks requisitioned had no relation with the quotation of such prices in Tata's list. It was further pointed out that the Indian Stores Department had been buying steel materials in the open market at the current ruling prices which were much higher than the listed prices in the Tata Company's schedule. It was urged under the circumstances that fair market prices prevailing on the date of the requisition should be paid to merchants for the stocks requisitioned. The Committee also requested Government to let the merchants know what was to be done with the stocks of steel not requisitioned, but all the same reserved under original orders.

Import Control of Steel.

In a communication dated 15th April, the Committee of the Chamber had suggested to the Government of India that in connection with the administration of import control of steel, arrangement should be made to issue import licences for iron and steel at the various ports on the basis of import certificates previously granted by the Controller at Calcutta. A reply dated 27th August was received from Government pointing out that issue of licences at the various ports as suggested by the Committee would not facilitate the central check necessary in the administration of the control as a whole ; they therefore regretted their inability to accept the suggestion. It was however added that arrangements would be made for speedy grant of licences on receipt of intimation of the shipment of the goods.

Control of Iron and Steel.

The All-India Iron and Hardware Merchants' Conference was held in Bombay on 24th August and as a result, a memorandum was submitted to the Government of India setting forth the difficulties and hardships involved by the terms and conditions of the orders in force under the Iron and Steel Control Scheme. The Committee in a telegram addressed to the Government of India on 18th September requested that

the points urged by the trade should be sympathetically examined and that the necessary relief provided so that the Conrol Scheme might not operate harshly on the trade interests.

Iron & Steel Control—Return regarding Civil and Industrial Requirements.

In connection with the administration of the Iron & Steel Control, the Government of India, Department of Supply, in consultation with the Commerce Department, formulated a scheme for allocating iron and steel for essential civil needs including requirements of the different industries in the country. To facilitate operation of the rationing scheme and the distribution of the available tonnage Government requested the Committee of the Chamber to ascertain from consumers, particularly industrialists, their requirements of supplies of steel for the coming year. The details of the tonnage required had to be mentioned under the categories laid down under the Iron & Steel Control Order. The Committee sent a circular letter to the members of the Chamber on 22nd October asking for information about individual requirements. The returns received in response to this circular were forwarded to the Iron & Steel Controller.

Import of Steel Baling Hoops.

The Committee addressed the Government of India on 5th June, 1941, regarding the difficulties experienced by merchants in importing baling hoops from America on account of the import control of steel. They informed Government that although imports of this commodity from Japan were allowed free, there was almost a monopoly for the import and sale of the Japanese hoops and the manufacture of articles was confined to one concern in Japan. The Committee therefore urged that unless permission was granted without delay to import hoops from America both importers and users of the article would be put to a serious disadvantage.

The Government of India in their reply dated 26th August informed the Committee that no avoidable delay occurred in the office of the Steel Import Controller in India in disposing off applications for such licences, but that the difficulty arose as a result of insufficient supplies of baling hoops from America. It was added that the imports of the hoops during 1940-41 had exceeded the average during the preceding 10 years.

V. GENERAL.

Riots in Bombay.

The Committee on 26th April, 1941, addressed a communication to His Excellency the Governor of Bombay requesting him to take immediate steps in the interests of law, order and peace of the City, to bring the riot situation under control and thus allay the anxiety of the public. In a reply dated 28th April, Government assured the Committee that everything was being done to bring the riot situation under control.

Riot Situation in Bombay and Ahmedabad.

The Committee, in their meeting held on 27th May, 1941, invited the representatives of the various association members with a view to consider the situation arising out of the recrudescence of riots in the city which started on 22nd May, 1941. After discussion, an *ad hoc* Committee was appointed to watch the riot situation and to take such action as might be deemed necessary. The Committee in this connection addressed His Excellency the Governor of Bombay on 30th May, 1941, drawing his attention to certain aspects of the situation and suggesting certain measures which, in their opinion, were essential to put a stop to the riots. They stated that such a situation should no longer be tolerated in a highly civilised and industrial city like Bombay and that if this communal tension was allowed to persist, trade, commerce and industries of the city would be adversely affected. They suggested that Government should take the power to themselves to see that religious or communal places were not used for mischief. They protested against the orders preventing the press from mentioning the streets or localities that were affected by the riots. They referred to the interview a deputation of some Hindu and Muslim leaders had with the Commissioner of Police and supported the arrangement arrived at during the course of this interview, whereby representatives of Hindus and Muslims would work with the police whenever

the police were required to take any action in the various localities affected by the riots.

In another communication addressed to His Excellency the Governor of Bombay, the Committee stressed the necessity of appointing a Committee of Enquiry which would find out the causes that led to this unhappy situation. They stated in justification of their demand for an enquiry that the present riots differed from the riots which happened in the past in this that while with regard to the latter there were some specific religious causes responsible for the disturbances, this time, there were no such specific religious or communal causes. They stressed the fact that the Chamber was a cosmopolitan body and that in the interests of not only one community but in the interest of all communities, they desired Government to take such steps immediately as would end this unhappy situation. They urged for the speedy appointment of a Committee of Enquiry which would help to bring confidence amongst the disturbed public. In a further communication addressed to His Excellency, they supported the request made by the Madhyastha Vyapari Mandal, Ahmedabad, to Government for the appointment of a Committee of Enquiry to find out the causes of the Hindu Muslim riots that occurred in that city.

Public Meeting of Hindu & Muslim Merchants in connection with the Riots in Bombay.

A Public Meeting of prominent Hindu and Muslim merchants of Bombay was held under the presidentship of Mr. M. C. Ghia, M.L.A., President, Indian Merchants' Chamber, on 25th June, 1941, in the Narrondas Manordass Hall and Library of the Chamber, to consider the riot situation in the City. Resolutions were passed urging His Excellency the Governor of Bombay to take immediate and effective steps to put a stop to the riots and to see that law and order were restored in the city. One of the resolutions passed expressed deep sympathy with the victims of the riots and their families.

1941 Census and Classification of Vital Statistics.

The attention of the Committee was drawn to a report that on the plea of cost it had been decided to curtail the Census operations with a result that only the tables containing the figures would be published without any full report as usual. The Census reports, besides statistical tables, contain a good deal of information of use and guidance for planning social reconstruction. In a letter dated 1st November addressed to the Government of India, the Committee expressed their regret that the opportunity of the publication of the Census report was not being utilised fully for giving all the statistics and information usually to be found in such Census reports. Government in their reply dated 10th December informed the Committee that when conditions were found more favourable, tabulation of statistics would be taken in hand.

Advancing of Clocks by One Hour during the Period of War.

In a communication dated 28th August, 1941, enclosing a copy of the letter from the Government of India dated the 6th August, 1941, on the above subject, the Government of Bombay desired the views of the Committee on the proposed advancing of clocks by one hour during the period of the war with a view to deal with the traffic conditions owing to the restrictions placed by A. R. P. with regard to the shading of lights, etc. The Committee in their reply dated 6th September stated that although the advancing of clocks by one hour would greatly inconvenience the commercial community, the commercial community would try to adapt itself to the suggestion of Government if the same was brought into operation.

Electoral Roll of the Central Legislative Assembly.

The Committee addressed the Government of Bombay on 11th June, 1941 in the matter of the difficulty arising out of the dates fixed for publication of Electoral Roll of the Central Legislative Assembly as a result of the disturbed con-

ditions prevailing in the city on account of the riots. They suggested the extension of time-limit for the purpose of enabling the eligible voters to get their names included in the roll. Government in their reply dated 18th June informed the Committee that sufficiently liberal intervals had been provided between the various stages of the publications of the Electoral Roll and stated that there would be no objection to submit such claims to the Collector at any time upto the date of first publication, after which date, claims could only be considered by the Revising authorities.

Utilisation of Industrial Researches.

The Government of India forwarded for the information of the Committee, a copy of the non-technical notes prepared under the auspices of the Board of Scientific & Industrial Research on the following manufacturers and requested the Committee to circulate the same amongst the members of the Chamber :—

1. Laminated Paper Fibre Board.
2. Dry Cell Manufacture.
3. Resin Impregnation of Wood.
4. Manufacture of Glass Substitutes.
5. Bhilawan Stoving Enamel and Allied Products.
6. Manufacture of Luminous Pigments and Paints.
7. Substitutes for Corks and Allied Products.
8. Manufacture of Stearic and Oleic Acids.
9. Manufacture of Oil Plastics and moulded articles prepared therefrom.

The Committee accordingly circulated the notes under reference.

Establishment of an Industrial Museum.

The Federation of Indian Chambers of Commerce and Industry through their representative had mooted the proposal for the establishment of an Industrial Museum in India

at the 12th Industries Conference held at Lucknow, in which connection Government had desired the Federation for the supply of further details about this proposal with particular reference to the location of the Museum and the means of financing it.

The Committee of this Chamber in reply to the Circular received from the Federation in this regard stated that in the interests of all-India Commerce, it would be necessary to have Industrial Museums in all the important Industrial Centres of the country. Regarding the question of finance for the same, the Committee were of opinion that the initial expenditure for establishing such museums should be met by a grant from the Central Government and that the Provincial Government should meet the recurring expenses. They also suggested that a part of the recurring expenditure might be met by charging nominal fees on exhibitors and by recovering a commission on orders booked through the museums.

Internment of Indians in Paris.

The Committee in their communication dated 10th December, 1940, addressed to the Government of India had drawn their attention to some of the Indian merchants being interned by Germans in Paris. They stated that these merchants were long since resident in Paris with their families. The Committee desired to have information as to whether any relief could be afforded to these Indian internees. It was urged that Government should take steps to secure release of such internees if it was possible for them to do so.

Government in their reply dated 10th March, 1941, informed the Committee that His Majesty's Government had been communicated with in the matter and that such steps were being taken as were possible to afford relief to the internees.

Double Election Procedure — Federation.

The Federation of Indian Chambers of Commerce and Industry in their circular letter dated 28th April, 1941, drew

the attention of the Committee to the procedure of nominating persons to represent the commercial interests on Committees and Conferences by the Government of India in place of the usual practice of inviting the Federation or other commercial interests to nominate such representatives. The Committee of the Federation in this connection was of opinion that the double election procedure adopted by the Federation was responsible for not allowing some persons to stand for such elections as the same induced canvassing of votes. They therefore suggested that the Member-bodies should have the choice of nominating candidates, but that the final choice should rest with the members of the Committee of the Federation. The Committee in their reply dated 13th June informed the Federation that the existing system of double election procedure should be continued. They also requested the Federation to protest against the practice of Government of nominating persons directly without inviting either the Federation or other commercial interests to nominate such representatives.

The Federation in their reply dated 2nd August informed the Committee that it had been decided that the double election procedure should continue to operate in future with regard to the election of Federation's representations on public bodies.

Appointment of Controller of Supply in Bombay.

On being informed that the Controller of Supply in Bombay was going on leave, the Committee in a telegram dated the 3rd April, 1941, addressed to His Excellency the Viceroy and the Hon'ble the Law and Supplies Member, Government of India, requested that an Indian might be appointed in place of the present Controller going on leave.

Measurement and Weighment Department of the Chamber.

The Committee decided to institute a Measurement and Weighment Department as from 1st February, 1941, for the purpose of measuring cargo meant for export from Bombay

and issue necessary certificates on the basis of which freight would be recovered by the shipping companies from shippers and/or their agents. This department was started in the hope that the shippers concerned would extend their whole-hearted co-operation and give an opportunity to the Chamber to render such service to the trade which was long due. Thanks are due to the Indian steamship companies and particularly the Scindia Steam Navigation Co. Ltd., for accepting the certificates issued by this department and for giving their whole-hearted support to the department. The Chamber is also obliged to the East India Cotton Association, Ltd., for recognising the Measurement Certificates issued by the Chamber in respect of cotton bales.

The following are the receipts for the period ending 31st December, 1941 :—

Receipts for the measurement of export cargo less refunds	Rs. 7,759-14-0
Receipts for the measurement of cotton bales at Sewri less refunds	Rs. 5,919-7-0

Chamber's Representatives on the Bombay Port Trust.

The following gentlemen were elected to represent the Chamber on the Board of the Bombay Port Trust for a term of two years with effect from 1st April 1941 :—

Sir Purshotamdas Thakurdas, C.I.E., M.B.E.,
Mr. Behram N. Karanjia, M.L.C.,
„ M. A. Master,
„ Sankalchand G. Shah,
„ Ramdas Kilachand.

Panel of Employers under the Bombay Industrial Disputes Act.

The Commissioner of Labour in his letter dated 16th June, 1941, intimated to the Committee the resignation of

Mr. Manu Subedar from the above panel and requested for nomination of another representative in his place. The Committee in their reply dated 30th June suggested the name of Mr. Behram N. Karanjia for being included in the panel of Employers under Rule 34 of the Bombay Industrial Disputes Act.

Representative of the Advisory Committee of the Ramniranjan Anandilal Podar College of Commerce.

The Committee nominated Mr. M. C. Ghia, M.L.A., President, as the representative of the Chamber on the Advisory Committee of the Ramniranjan Anandilal Podar College of Commerce, Bombay.

Nomination of a Representative of the Federation of Indian Chambers of Commerce and Industry on the Central Advisory Board of Health, Food Adulteration Committee.

The Committee nominated Mr. C. S. Patel for election as the representative of the Federation on the Central Advisory Board of Health, Food Adulteration Committee. Subsequently Mr. C. S. Patel was duly elected on the said Committee.

Representative of the Chamber on the Indian Sailors' Home Committee.

The Committee elected Mr. M. A. Master as the representative of the Chamber on the Indian Sailors' Home Committee for a fresh term of two years from 1st November, 1941.

Chamber's Delegates to the 14th Annual Session of the Federation of Indian Chambers of Commerce and Industry.

The Committee nominated the following gentlemen to attend the 14th Annual Session of the Federation to be held in the 3rd week of March 1941 as delegates from the Chamber :—

1. Mr. M. C. Ghia, M.L.A.
2. Mr. J. C. Setalvad.
3. The Hon'ble Sir Rahimtoola M. Chinoy, Kt.
4. Mr. Chunilal B. Mehta.

Election of Office-bearers of the Federation for the year 1941.

The Committee nominated Mr. Chunilal B. Mehta for election as President of the Federation and the Hon'ble Sir Rahimtoola M. Chinoy, Kt., for election on the Committee of the Federation from the section "Other trade and commerce not specified." They were subsequently duly elected.

Resolutions for the 14th Annual Session of the Federation of Indian Chambers of Commerce and Industry.

In a letter addressed to the Federation on 19th February 1941, the Committee sent the draft resolutions on the following subjects for being tabled for consideration at the annual session of the Federation :—

1. Present political situation.
2. Co-ordination of war supplies in the East.
3. Industrialisation.
4. Export markets.
5. (*a*) Export Trade Control, (*b*) Import Trade Control.
6. Taxation through utility services.
7. Income-tax administrative procedure.
8. Shipping.
9. Insurance.

Chamber's Delegate to the 12th Annual Meeting of the National Committee of the International Chamber of Commerce.

The Committee nominated Mr. J. C. Setalvad as their representative to attend the 12th Annual Meeting of the Indian National Committee.

The Commercial Examination Board.

The Commercial Examination conducted by the Chamber in the various centres in India were held from 7th May

1941. The total number of candidates appeared at these examinations was 422. Out of this 112 passed in Diploma subjects while 130 passed in Certificate subjects. 60 candidates were granted exemptions in various subjects. 59 recognised institutions sent candidates for the examinations as against the same number last year. The examinations were held in the following 18 centres :

Bombay	Mysore	Mangalore
Poona	Bangalore	Nagpur
Ahmedabad	Trichinopoly	Junagadh
Surat	Coimbatore	Delhi
Karachi	Trivandrum	Calcutta
Madras	Palghat	Lahore.

Obituary.

The Committee placed on record their sense of loss at the sudden death of Mr. S. Srinivasa Iyengar, an ex-President of the Indian National Congress, and sent a telegram of condolence to the family of the deceased.

Membership of the Chamber.

At the beginning of the year there were on the Register 652 members. During the year 116 members were elected and 15 discontinued their membership (13 having resigned and 2 having been struck off from the rolls for arrears of subscription). There are thus 753 members now on the roll.

Accounts.

The statement of accounts of the Chamber for the year ended 31st December 1941 with the auditors' report is annexed hereto. It will be observed that a sum of Rs. 3371 has been received as contributions from the representatives of the Chamber on various public bodies. The best thanks of the Committee are due to the gentlemen who have made these contributions.

THE INDIAN MERCHANTS CHAMBER

Balance Sheet as at 31st December, 1941.

LIABILITIES.	Rs. a. p.	Rs. a. p.	PROPERTY & ASSETS.	Rs. a. p.	Rs. a. p.
CAPITAL FUND & OTHERS:			**FURNITURE & FITTINGS AT COST:**		
CAPITAL FUND:			Upto 31-12-1940	18,647 15 6	
			Additions during the year	302 4 0	
				18,950 3 6	
Admission fee of ordinary members upto 31-12-1940	55,350 0 0		*Less* Depreciation upto 31-12-1940 Rs. 1,305		
Admission fee of ordinary members during the year	5,850 0 0		„ Depreciation during the year „ 1,300		
Patron fee	5,000 0 0			2,605 0 0	
		66,200 0 0			16,345 3 6
Contribution from Messrs. Narrondass Manordass	... ...	20,000 0 0	**MEASUREMENT DEPARTMENT:**		
			Furniture and Fittings at Cost	... ...	460 12 0
FUNDS EARMARKED FOR LIBRARY:			**BOOKS FOR LIBRARY:**		
			Upto 31-12-1940	23,278 3 3	
			Additions during the year	486 2 9	
				23,764 6 0	
Sir Ibrahim Rahimtoola Entertainment Fund	1,300 0 0		Less Depreciation upto 31-12-1940 Rs. 1,695		
Sir Purshotamdas Thakurdas Entertainment Fund	439 5 0		„ Depreciation during the year „ 1,618		
B. F. Madon Portrait Fund	534 8 0			3,313 0 0	
		2,273 13 0			20,451 6 0
Commercial Museum Fund	... ...	50 0 0	Subscriptions due from members	..	3,575 0 0
Sundry Creditors for expenses	... ...	708 0 0	**ADVANCES:**		
Subscriptions received in advance from members	... ...	275 0 0	A. R. P. Measures	75 2 6	
			Deposit with Central Publication Branch, Delhi	49 12 0	
Suspense (Arbitration)	... ...	80 0 0	Deposit with Chief Censor, India, New Delhi	5 0 0	
Balance as on 31st December 1940	1,04,362 15 6		Loans to peons	150 0 0	
Add:					279 14 6
Excess of income over expenditure (as per annexed Account) (subject to Taxation)	28,390 5 8		**INVESTMENTS:**		
		1,32,753 5 2	(Government Securities etc. at Cost)		
			CAPITAL FUND: Rs. a. p.		
			5% Loan (1945-55) of Rs. 5,000 5,425 0 0		
			5% Municipal Loan (1959) of Rs. 10,000 8,862 8 0		
			3½% Loan (1942-50) of Rs. 29,000 30,848 12 0		
				45,136 4 0	
			GENERAL:		
			4% Port Trust Bond (1969) of Rs. 2,000 Rs. 2,025 a. 0 p. 0		
			2½% Loan (1948-52) of Rs. 20,000 20,025 0 0		
			3½% Loan (1947-50) of Rs. 9,000 9,573 12 0		
			5% Loan (1945-55) of Rs. 10,000 11,125 0 0		
			Fixed deposit with Central Bank of India 15,000 0 0		
				57,748 12 0	
			Loan to Lalji Naranji Memorial Trustees	50,000 0 0	
			CASH & OTHER BALANCES:		
			In C/A with Central Bank of India 15,768 5 7		
			In C/A with Bank of India 11,690 11 11		
			Cash and Cheques in hand 883 12 8		
				28,342 14 2	
					1,81,227 14 2
Total Rs.		2,22,340 2 2		Total Rs.	2,22,340 2 2

THE INDIAN MERCHANTS' CHAMBER

Dr. *Income and Expenditure Account for the year ended 31st December, 1941.* Cr.

EXPENDITURE	Rs.	a.	p.	INCOME	Rs.	a.	p.
To:—				By:—			
Office Establishment	34,604	8	0	Membership Subscriptions	55,700	0	0
Insurance, Heating & Lighting Charges ...	435	5	9	Contributions from Chamber's Representatives on various Public Bodies ...	3,371	7	0
Telephone Charges	761	0	0				
Postage & Telegrams	3 616	7	9		Rs.	a.	p.
Stationery	1,706	8	0	COMMERCIAL EXAMINATIONS:—			
Printing Reports, etc.	6,300	14	0	Examination Fees	4,938	12	0
—do.— Journal	4,653	8	0	Sale of Syllabus and Question Papers	111	1	9
Commercial Examinations, including Honoraria to Examiners, etc.	3,107	11	3	Fees for recognition of Commercial Institutions	515	0	0
Subscriptions to Newspapers & Periodicals ...	698	6	9				
Upkeep of Library, including Binding Charges	38	10	0		5,564	13	9
Carriage Hire	373	15	3				
Chairs Hire	124	4	0	Interest on Investments and Current Accounts	5,061	0	8
Commission on Advertisements	372	2	0	Fees for issuing Certificates of Origin, etc. ...	11,565	0	0
Auditors' Fees (1941 and extra work) ...	200	0	0	Advertisements in Journal	2,362	8	0
Repairs to Typewriters, etc.	132	12	0	Subscriptions to Journal	141	14	0
Membership Subscription to the Federation of Indian Chambers of Commerce & Industry ...	150	0	0	Sale of Members' List, etc.	317	0	0
—do.—to the Indian National Committee of the International Chamber of Commerce	33	0	0	Sundry Receipts	73	2	6
Contribution to the Indian Chamber of Commerce in Great Britain	29	0	9	MEASUREMENT FEES	15,702	5	0
Bank Charges	12	4	0				
Travelling Expenses	578	13	6				
Income-tax (1939 & 1940)	1,453	14	0				
Miscellaneous Expenses	562	3	3				
Membership Subscription (1940) written off ...	300	0	0				
Safe Custody Charges	1	0	0				
Portrait (retouching)	135	0	0				
A. R. P. Measures	9	8	6				
	Rs.	a.	p.				
MEASUREMENT DEPARTMENT:							
Salaries and Wages	5,380	12	9				
Rent of Dock Bhongi	165	0	0				
Rebate of Fees	1,493	5	0				
Printing and Stationery	578	4	0				
Postage	30	3	9				
Carriage Hire	123	14	0				
Petty Charges	388	9	0				
	8,160	0	6				
DEPRECIATION:							
Furniture & Fittings	1,300	0	0				
Library Books	1,618	0	0				
	2,918	0	0				
	71,468	13	3				
Balance being excess of income over expenditure transferred to Balance Sheet (subject to Taxation)	28,390	5	8				
Total Rs.	99,859	2	11	Total Rs.	99,859	2	11

We have audited the foregoing Balance Sheet of the Indian Merchants' Chamber as at 31st December, 1941, and also the foregoing Income and Expenditure Account for the year ended upon that date, and report that—

(*a*) we have obtained all the information and explanations we have required;

(*b*) in our opinion, the foregoing Balance Sheet and Income and Expenditure Account are drawn up in conformity with the books;

(*c*) we have verified the investments; and

(*d*) such Balance Sheet exhibits a true and correct view of the state of the Chamber's affairs according to the best of our information and the explanations given to us and as shown by the books of the Chamber.

DEVIDAS VITHALDAS & CO.
Accountants & Auditors.

Bombay, 6th January, 1942.

M. C. GHIA
President.

J. K. MEHTA
Secretary.

APPENDICES

I.—TRANSPORT AND COMMUNICATIONS

APPENDIX 1

Scarcity of Shipping Tonnage for Importing Burma Rice.

Letter No. 444, dated 20th February 1941, from Chamber to Commerce Department, Government of India, New Delhi.

The attention of the Committee of this Chamber has been drawn to a communique issued by the Government of India, dated 13th February 1941, re : shortage of shipping space and the Burma rice trade. It appears that the Rice Merchants' Association, Bombay, have addressed Government, placing before them the heavy Port requirements of rice. My Committee beg to support the representation of the Rice Merchants' Association for provision of more ships. My Committee appreciate the shipping difficulties experienced by Government and do not want to put forward any demand which may be in conflict with the requirements of the State. At the same time, rice is a staple food of a large section of the population and food requirements may well be considered also as a war necessity. There is scarcity prevailing in the rice districts and the prices have been rising. In order to prevent such a rise in the prices of rice, and to give an assurance for rice supplies to the people of the country, it is essential that Government should assist by releasing as much shipping as possible for the transport of rice from Burma. My Committee, therefore, fully support the demand of the Bombay Rice Merchants' Association that Government will be pleased to provide adequate tonnage for rice transport from Burma.

Telegram dated 19th March 1941, from Chamber to Federation of Indian Chambers of Commerce and Industry.

Committee, Indian Merchants' Chamber, support request made by the Bombay Rice Merchants' Association in their telegram of the 18th instant that Federation should urge upon Government of India the necessity for releasing sufficient shipping tonnage for ensuring adequate supply of imported rice from Burma. Inadequacy of existing stocks and failure of current crops make it imperative that facilities for imports from Burma should be made available in full measure. Preferably suggest that a resolution be tabled in this connection at the annual meeting.

APPENDIX 2

Difficulties regarding Shipping Space for Export Cargo.

Letter No. 717, dated 19th March 1941, from Chamber to Commerce Department, Government of India, New Delhi.

The Committee of this Chamber have received complaints from two of their members with regard to shipping difficulties experienced at present and the inconvenience and loss that are likely to arise to the exporters as a result of such difficulties.

In one case the exporter had shipped 250 bags Indian Fenugreek Seeds per s.s. "City of Agra" to Halifax and the freight was paid up to final destination, viz. Halifax. The steamer *en route* called at Calcutta and was suddenly requisitioned by His Majesty's Government. Consequently the consignment on board the steamer was unloaded at the Port of Calcutta and stored there at the exporter's risk pending transhipment. The exporter is yet in the dark about the total charges that he might have to pay and also about the future course of its transport to the port of destination.

Another instance relates to the booking of freights (Almonds Shelled) on s.s. "Silverlaurel" which was to leave Bombay about the middle of this month and another steamer

s.s. "Hoegh Merchant" to leave at the end of this month to Vancouver. Both the ships were expected to carry the consignments of almonds, but the exporters have been informed by Messrs. Volkart Brothers, the Bombay Agents of the Steamship Company that both the ships had been requisitioned by Government. They were required to keep the goods ready for shipment, but now the same would deteriorate in quality as the goods would be required to be stored until the next sailing was available. Further, the old contracts of freight had been cancelled and the freight rate had been raised by 100 per cent, i.e. $45.00 per ton of 10 cwts., for fresh booking.

Another case refers to an exporter in vegetable oils and oilcakes. There was a large European market before the war for such commodities, but now they have to divert their export trade to the neighbouring countries such as Egypt, Palestine, Iraq, etc. They are also experiencing a lot of difficulty in securing freight for their shipments. For instance, they had about 80 tons of oil for shipment to Suez in February. They placed their requirements with Messrs. Turner Morrison & Co., for shipment by s.s. "Jehangir" which sailed from Bombay in the middle of February, but due to heavy requisitioning of the space on that boat by Government, they could only take 35 tons out of 80. This had left a balance of 45 tons of oil which should have been shipped last month. They had further sold 160 tons of oil, thus making the total quantity of about 205 tons of oil to be shipped to Suez for Egyptian and Palestine markets. They approached Messrs. Turner Morrison for the required freight and were informed that on account of the heavy requisitioning of the space on their sailings by Government, it would not be possible for them to allot any space to the exporters.

My Committee realise that there are bound to be difficulties at present with regard to shipping space. At the same time, Government, surely, want to keep up the export trade of the country. My Committee are informed that the representative of the British Ministry of Shipping has been placing certain number of ships at the disposal of the British India

Steam Navigation Co., Ltd.; for purposes of coastal trade, and my Committee may be allowed to suggest that possibly some of these ships may be diverted for purposes of export trade. This will be very useful in removing the difficulties of the export merchants.

Letter No. 136 *M.I.W.* 21, *dated 8th April* 1941, *from Commerce Department, Government of India to Chamber.*

With reference to your letter No. 717, dated the 19th March 1941 on the above subject, I am directed to say that the shipper of Indian Fenugreek seeds by the s.s. "City of Agra" may be asked to produce proof of the Representative of the Ministry of Shipping in Calcutta of the extra charges which he has to pay on account of his cargo being landed at Calcutta. Similarly, the shipper of Almonds Shelled may also be asked to prove to the same authority the extent to which his cargo has deteriorated owing to the cancellation of the vessels by which it was booked and the extra charges which he has to incur on account of such deterioration.

2. As regards the suggestion contained in the last paragraph of your letter under reply, namely, that some of the ships which had been placed by the Representative of the Ministry of Shipping at the disposal of the British India Steam Navigation Company for purposes of coastal trade should be diverted to export trade, I am to say that many of these vessels are already being used in export trades from India. As you are already aware, the present position of the coastal trade of India and especially the trade from Burma to India is such that there could be no possibility of withdrawing any of the vessels now available.

3. A separate communication will be sent to you regarding the export of vegetable oils and oilcakes referred to in the penultimate paragraph of your letter under reply.

Letter No. 136 *M.I.W.* 21, *dated 23rd April* 1941, *from Commerce Department, Government of India, New Delhi to Chamber.*

I am directed to invite a reference to paragraph 3 of this Department letter No. 136 M.I.W.(21)|41, dated the 8th April

1941 on the above subject, and to suggest that the shippers interested in the export of vegetable oils and oilcakes may be asked to get in touch with the Mogul Line, Limited, regarding their requirements for shipping space.

Letter No. 3017, dated 28th November 1941, from Chamber to Commerce Department, Government of India.

I am directed to refer to the previous correspondence on the above subject, ending with Government letter No. 136-M.I.W. (21)|41, dated 23rd April 1941. In the said letter, Government asked my Committee to advise the shippers concerned to get into touch with the Mogul Line, Ltd., regarding their requirements for shipping space.

My Committee are again receiving complaints that the Shipping Company in question has not been allotting freight space for export of groundnut seeds to Suez. It appears that two of their steamers are sailing shortly for Suez, but they are taking only measurement cargoes on which they realise a higher rate of freight. In an emergency like the present when there is restriction on the available shipping tonnage, the Shipping Company should not be deemed to be at liberty to choose the type of cargo they would carry. A fair proportion of the space available should be allotted also to essential export articles like groundnut seeds, although the freight rate for the same may be comparatively lower.

It is pertinent to point out that exporters have their commitments with their buyers and if they are not able to fulfil their contracts they will be held responsible for the consequences thereof.

Complaints have also reached my Committee regarding difficulties in getting freight space for export of groundnut seeds to Pacific Coast Ports. There are shipments awaiting export for San Francisco in transit to Canada, and the only Line carrying on that route in the Pacific Line, the Agents in Bombay being Messrs. Volkart Bros. It appears that the freight space available is unrestrictedly being allotted to cargoes like almonds, walnuts, etc., on which the freight rate is $45.00

per ton of 10 cwts., while only very small space is being allotted for groundnut seeds on which the freight rate is $35.00 per ton of 14 cwts. Groundnuts, it may be added, is in the priority list for allocation of freight.

My Committee request that Government will be pleased to consider the above complaints and bring about a state of affairs under which a fair share of the available tonnage is allotted for export of groundnut seeds.

Telegram dated 26th June 1941 from Chamber to Commerce Department, Government of India, Simla.

Merchants, exporters and shippers doing business with the ports of Aden, Sudan, Jeddah and Suez have drawn the attention of the Committee of the Indian Merchants' Chamber to the serious situation with which they are faced on account of inability to obtain freight space for cargoes awaiting shipment for a long time. Steamer companies plead inability to supply space on account of almost exclusive requisitioning of available space for Government cargo. Buyers at the other end also getting restive at this long delay. Request Government to be pleased to give this matter early attention and arrange for the provision of some space for export cargo intended for ports in question.

Letter No. 136 M.I.W. 21, dated 29th December 1941, from Commerce Department, Government of India to Chamber.

With reference to your letter No. 3017, dated the 27th November 1941 on the above subject, I am directed to say that the Government of India understand that the two Mogul Line steamers referred to therein were compelled to take measurement cargo as their draughts were limited on account of the embarkation of pilgrims. They are, however, informed that the company would lift groundnut seeds for Suez as soon as opportunity offers.

2. As regards freight space for Pacific coast ports, so far as the Government of India are aware, groundnut seeds do not figure in the shipping priority notification issued by the United States of America Government and they regret

that they are not in a position to arrange for any special shipping facilities for the export of this commodity to that country.

APPENDIX 3

Shipping Freight on Hemp.

Letter No. 1141, *dated* 16*th May* 1941, *from Chamber to the Controller of Shipping, Calcutta.* . .

Messrs. Damoder Anandji, Bombay, a member-firm of this Chamber have forwarded to my Committee a copy of their letter of the 3rd instant addressed to you, on the above subject, pointing out how the heavy disparity in freight rates for transport of hemp as between Bombay and Calcutta is depriving them of their legitimate share of the export trade in that commodity. In this connection, it may be pointed out that recently my Committee had occasion to address the Government of India in the matter of the reduced tonnage allotted to Bombay for shipment of hemp. They had therein urged for the removal of the restriction in question as otherwise the share of the trade accruing to this Port would tend to be permanently diverted elsewhere.

The freight rate from Calcutta to London is Sh. 87 per ton of 50 c.ft. while from Bombay to London it is Sh. 102 per ton of 40 c.ft. The difference in the basis of measurement thus accentuates the disparity in the rates and places a handicap on the export trade from this port. The result is that the buyers at the other end are reluctant to pay the increased rate of transport charges and naturally confine their purchases of hemp for shipments from Calcutta.

As the distribution or allocation of freight space for the transport of different commodities and from different ports is under your control and, my Committee presume, that such control necessarily also covers the fixing of the actual freight rates, my Committee have to request you to kindly consider the case of facilities for export of hemp from Bombay and

to see that the exporters at this end and the Port generally are not deprived of their legitimate share of the trade in question by any artificial advantage of the kind under reference. My Committee hope that you will be pleased to give this matter your early attention.

Letter No. 5680, *dated* 21*st May* 1941, *from the Ministry of War Transport, Calcutta to Chamber.*

I am in receipt of your letter No. 1141 of 16th instant but regret that I am unable to interfere on the question of rates of freight which are arranged by owners with the approval of the Ministry of War Transport.

Although the rate of freight is in favour of shippers in Calcutta, I would point out that the quantity which may be shipped in any month is controlled in accordance with the priority list issued by the Ministry of War Transport, and I may add that it has not always been possible to ship the priority quantities in full each month.

APPENDIX 4

Allocation of Space for Shipment of Wool.

Letter No. 1298, *dated* 5*th June* 1941, *from Chamber to Commerce Department, Government of India.*

My Committee are informed that shippers of wool are to be allotted space for shipment of wool in proportion to their share of such shipments during the three years previous to the present hostilities. It would appear, however, that the above arrangement is not applicable so far as shipments from Kathiawar Ports, viz. Bedi Bunder, Jamnagar, Navlakhi, etc., are concerned and that exports from such ports would be accepted without any limitation. If the above information is correct, the arrangement would involve a hardship on exporters from British ports and would tend to an indirect advantage to the merchants dealing through the Indian States ports. My Committee would like to have authoritative information in regard to the exact position and if the position is

as reported above, steps should be taken to see that the authorities of the ports in question also institute an arrangement similar to that obtaining in British India so that the British Indian shippers are not put to any artificial disadvantage.

Letter No. 06058A, dated 2nd July 1941, from Commerce Department, Government of India to Chamber.

With reference to your letter No. 1298, dated the 5th June 1941, I am directed to say that the Government of India understand that the existing arrangements at British Indian Ports and at Kathiawar ports do not operate to the disadvantage of British Indian shippers. Whatever may be the respective merits of the systems of distribution of freight space in force in British Indian ports and Kathiawar ports, it is the frequency and total amount of shipping visiting a port that really matter to the general body of exporters ; and in this respect, British Indian ports are in a more fortunate position than, say, Navlakhi, from which port there has been no sailing to the United Kingdom since January last.

APPENDIX 5

Transport of Cargoes from Australia to Bombay.

Letter No. 890B, dated 15th April 1941, from Chambr to Commerce Department, Government of India, New Delhi.

The attention of the Committee of this Chamber has been drawn by a Member Association to the hardships and inconvenience that their members have to undergo on account of the transhipment of cargoes coming from Australia at Colombo, these cargoes having to be shipped to Bombay from Colombo by another steamer. This leads to a waste of time at Colombo, as also to the payment of wharfage charges there. The Association sent complaints to the Shipping Controller, but has not been able to get its grievance removed. It has been informed that for sometime to come at least there would be no direct sailings between Australia and Bombay. Bombay

is thus placed in an unfavourable position *vis-a-vis* Calcutta and Madras. Not only is this the case with goods coming from Australia, but my Committee are informed that the same is the case with commodities going from Bombay to Australia. Take for instance, cotton which has to be sent from Bombay to Calcutta by train and from Calcutta it has to be shipped to Australia by steamer.

My Committee realise the present shipping difficulties, but hope that the Government of India, with the Shipping Controller, will be able to arrange so as to provide direct connection between Bombay and Australia, both on the outward and inward directions. A new trade has developed between Bombay and Australia and it is in the interests of both Bombay and Australia that this trade should be facilitated as far as possible.

APPENDIX 6

Port Charges on Cargoes for Port Sudan Unloaded at Bombay.

Letter No. 1099|1199, *dated 27th March* 1941, *from Secretary, Bombay Port Trust to Chamber.*

With reference to your letters Nos. 1883 and 1885 dated 16th and 19th August 1940, I am directed to forward* herewith for your information a copy of this Office letter No. 1098 dated 27th March 1941, addressed to the Indian Chamber of Commerce, Calcutta, in reply to their letter No. 2039, dated 3rd August 1940.

2. I am to add that the concession granted by the Trustees in regard to levy of one-third single extra fees covers the entire cargo brought to Bombay by the s.s. "Jehangir" (including the cargo taken over by her from s.s. "Alavi" at Aden).

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* Not printed.

APPENDIX 7

Madras Port Trust Amendment Bill.

Letter No. 4539|34-B, dated 26th April 1941, from the Chief Secretary, Political and Service Department, Government of Bombay, to Chamber.

I am directed to forward* a copy of Government Resolution, No. 4539/34 of today's date, on the above subject, and to request that you will be so good as to communicate to Government, by the *20th May 1941,* any observations (which may kindly be sent in *triplicate*) which your Chamber may desire to make in respect thereof.

Letter No. 1173, dated 21st May 1941, from Chamber to Secretary, Political and Services Department, Government of Bombay.

I am directed by my Committee to refer to your letter No. 4539/34-B dated the 26th April 1941 and in reply to send to you hereby their views on the above Bill.

At the outset, I am to make it clear that in the views expressed hereunder, my Committee are mainly concerned with the issues of principle involved in the Bill and their comment should not be understood as either stressing the claims of any particular interest or association for increased or additional representation or conversely as running down or contesting the importance of associations which may not be included in the scheme of representation, which, in their opinion, would serve the requirements of the situation best.

The Indian Commercial Community has long since been suggesting the desirability of taking in hand the question of the revision of the constitution of the Port Trust. My Committee, are therefore, glad that so far as the Port of Madras is concerned, Government have recognised the necessity for revising the constitution. They are, however, deeply disap-

* Not printed.

pointed to find that the proposals of Government as embodied in the Bill are very halting and that they do not go far enough. The main objective which the Indian commercial community had in urging the revision of the constitution of statutory bodies like the Port Trusts was to bring about a state of affairs under which the control and management of such bodies would be predominantly in the hands of the nationals of the country. Judged from this stand-point, however, the present proposals do only tinker with the problem and the hesitation of Government to acknowledge and recognise this vital principle that the conduct and management of such public or quasi public institutions should be the exclusive charge and privilege of the sons of the soil, is writ large in the provisions of the Bill and the statements made by the spokesmen of Government in connection therewith.

Coming to the specific issue of the representation proposed to commercial interests in the scheme adumbrated by the Bill, my Committee wish to record their categorical disagreement with the dictum enunciated by the Hon'ble Member for Communications both in his statement of objects and reasons and in the speech which he made in the Legislative Assembly on 3rd March, while introducing the Bill, that representation to commercial interests should roughly be on the basis of the direct interest in the import and export trade of the port of such interests, meaning thereby, that organisations representing European commercial interests should be given on the Board of a Port representation roughly proportionate to their share of the seaborne trade of that Port. In the opinion of my Committee, the very basis on which the Hon'ble Member proceeds is wrong as the rights of nationals and non-nationals in the affairs of the public institutions in the country cannot be equated in terms of the share of the trade or other economic interests. Surely it is inconceivable to suggest that just because there is a good import and export trade between Japan and India and the Japanese merchants' resident in India have a substantial share in the handling of the trade in question, special representation

should be vouchsafed to the Japanese interests either in the Port of Bombay or in other similar public bodies.

Even assuming that representation is to be based on the direct interest in the import and export trade of the port, my Committee would like to point out a serious fallacy in the scheme of division on that basis. In determining the share of the seaborne trade of the European or the Indian commercial interests at a particular port, statistics would naturally be compiled on the basis of the imports or exports recorded in the name of all European importing or exporting houses on the one hand and of such Indian houses on the other. It is pertinent to bear in mind, however, that in many cases such importing or exporting houses are in the nature of middle-men and that the real importers or exporters are entirely different parties. The point may be illustrated by a hypothetical instance ; there may be half-a-dozen indent or importing houses of, say, cotton textiles of British nationality importing textile goods from U. K. to India or more particularly to the port of Bombay. It is a matter of common knowledge that such importing houses are merely acting for the large number of Indian merchants and business houses in the market towns of the country. The business which in the record of the seaborne trade or at the Custom House record thus appears to the credit of the indent houses in question, really pertained to the actual merchants on whose behalf the goods were imported. The rough and ready method, therefore, of estimating the share of the trade in a particular port as between nationals and non-nationals by the Custom House records of names of importers or exporters is artificial, if not misleading and it is highly improper to come to conclusions regarding the share of the trade of particular interests on the basis of such estimates.

It is proposed under the Bill to make the representation given to Indian commerce equal to that given to European commerce viz. 4 seats each. From what my Committee have stated above, it will be obvious that, in their opinion, the arrangement is not satisfactory and that Indian commerce

should be given a preponderating share, if not the whole, of the seats set apart for representing commerce. In any case, they are not at all satisfied that even on Government basis of distribution Indian commerce is getting an adequate share of representation for, in their opinion, the figures of the shares of trade taken into account in arriving at the above basis do not represent the true and correct picture.

Another question involving an issue of principle which was raised during the discussion of the Bill was whether in arranging for the representation of commercial interests specific branches of commerce or particular trades should be separately represented through their own associations. While my Committee have no desire to enter into the merits of the claims which were put forward on behalf of the various specified trade associations for separate representation, they would like to observe that generally speaking, it is desirable to avoid such separate representation for specific branches but to recognise the leading Indian Chamber of Commerce of the port as the main medium of representation. They would, in this connection, like to recall the following observations made by the then General Member of the Executive Council of the Government of Bombay (Sir Chimanlal Setalvad), in the year 1923, during the course of the debate on the Bombay Port Trust Bill, in reply to a claim for separate representation for certain particular trades :

> " You have a recognised body like the Indian Merchants' Chamber and Bureau for the commercial interests of Indians, you have the Bombay Chamber of Commerce representing European merchants, and any person who wants to go on to the Board of Port Trust must get into either Chamber, and seek election to the Port Trust."

In echoing this sentiment, my Committee are not in any way belittling the importance of such separate trade associations, but only wish to emphasise that for the purposes of representation of commerce, it would be desirable to leave it to the leading Indian Chamber of Commerce of the province concerned.

The only other point on which my committee would like to comment, which, although it did not directly arise out of the Bill, was all the same raised in the Legislative Assembly at the time of the debate, is the question of representation to communal trade organisations. My Committee are strongly opposed to the suggestion for representation to a particular organisation because it represents a different community. The institution of the system of separate electorates in our political organisation has been in no small measure responsible for the general disintegration which we are experiencing in the country and my Committee would earnestly urge that Government would be helping in the spread of the fissiparous tendencies if they acceded to the clamour for representations based on communal consideration.

APPENDIX 8

Waivure of Extra Dock Charges.

Letter No. 1056, dated 1st May 1941, from Chamber to the Secretary, Bombay Port Trust, Bombay.

The attention of the Committee of this Chamber has been drawn to the fact that as a result of rioting both in Ahmedabad and in Bombay, it has not been found possible by importers to effect deliveries of their goods from the Docks. On account of the riots in Ahmedabad, consignees here have not been able to send their consignments to Ahmedabad as the B. B. & C. I. Railway have stopped booking. Such consignments had recently arrived from a number of steamers and they were due to be sent to Ahmedabad for the mills there. As these consignments were not allowed to be booked to Ahmedabad they were liable to wharfage which the consignees have to pay. With regard to consignments which were intended for the local market the difficulty arose because of the local disturbances, and the merchants were not able to clear their goods. In view of these circumstances both for Bombay consignments and consignments intended for Ahme-

dabad, my Committee beg to request you to be pleased to waive the extra dock wharfage, as otherwise these would mean an unjustifiable and unfair burden on the consignees.

It is essentially necessary that the Port Trust authorities should consider the dates covered by the riots in Ahmedabad and in Bombay as *dies non* for the purpose of calculating extra dock fees. It may be added that there is precedent for such a waivure of extra fees. Thus, in the year 1927 at the time of the Gujerat floods, when the railway communication had to be suspended, consignments awaiting despatch to stations in Gujerat were exempted from extra fees. Again in the years 1929, 1932 and 1936, on account of rioting in Bombay, days on which normal deliveries could not be effected were treated as *dies non*. My Committee hope that you will be pleased to accept their request.

Letter No. 2186, dated 18th June 1941, from the Secretary, Bombay Port Trust, Bombay, to Chamber.

With reference to your letter No. 1056, dated 1st May 1941, requesting that relief be granted in respect of extra fees incurred on goods owing to delay in clearance from the Docks caused by the riots at Ahmedabad and Bombay, I am directed to say that the Trustees have been pleased to sanction a remission of two-thirds of the accrued extra fees, calculated on a single rate, in the case of rail-borne consignments *ex* Docks for Ahmedabad and other stations, to which bookings were either suspended or restricted owing to disturbed conditions. I am to request that you will kindly notify the Members of the Chamber accordingly and ask them to submit any claims for refunds to the Trustees' Docks Manager.

As regards remission of extra fees on account of riots in Bombay City, I am directed to request that you will be so good as to furnish me with information as to the particular localities of the City in which, and the period for which, according to your Members, conditions were so unsettled as to render deliveries thereto impracticable, with details, if

available, of cases in which deliveries were delayed on account of the riots.

APPENDIX 9

Removal of Wreckage from the Port Trust Waters.

Letter No. 2325, dated 25th June 1941, from the Secretary, Port Trust, Bombay, to Chamber.

With reference to your letter No. 2453, dated 14th November 1940, I am directed to say that under Section 10 of the Indian Ports Act, 1908, the Trustees as Conservators of the Port may remove or cause to be removed any floating timber, raft or other thing which obstructs or impedes the free navigation of the Port or the lawful use of any pier, jetty, *etc.* which is not private property ; and under Section 14 *ibid* any vessel wrecked, stranded or sunk in the Port may be removed or destroyed by the Conservator. But the Act imposes no obligation on the Conservator to do so and gives the Conservator full discretion to act in the matter. The reason for this is apparent as in any given circumstances it may not be feasible for the Conservator to take action in regard to all or any obstructions that there might be in the Port. In such circumstances it is open to any private party to remove any obstructions and the letter from the Assistant Manager, Land and Bunders, Bombay Port Trust, to which you refer merely stated this fact.

I am to say that all the obstructions caused by the last cyclone were in due course removed by the Port Trust.

APPENDIX 10

Interview with the Chief Commissioner of Railways.

Memorandum on the points for discussion with Sir Leonard Wilson, Chief Commissioner and Mr. B. M. Staig, Financial Commissioner for Railways, on 5th August, 1941.

Speech delivered by Mr. M. C. Ghia, President of the Chamber.

Sir Leonard Wilson and Mr. Staig,

On behalf of the Committee of my Chamber I have great pleasure in extending to you a hearty welcome. I would also like to offer you, Sir Leonard, our felicitations on the conferment of Knighthood on you.

1. Railway Rates and Fares — Surplus Revenue Position and Relief to Users :

We raised this question last year and in reply were informed that the need on the basis of which the rates were increased continued and as such it was not possible to consider the question of any reduction. The abnormally high surplus position of the railway earnings last year and the continuance of the same level of prosperity, however, make the claim for consideration of relief irresistible. When in 1940 the rates and fares were put up as an emergency measure we had pointed out that there was no justification for the same and that it almost amounted to a measure of direct taxation to augment the budget resources of the Central Revenues. War exigencies have by the inevitable restrictions on alternative transport diverted to the railways a large volume of traffic which by itself would have considerably improved their financial position. At all events, after the huge surplus of Rs. 14 crores last year, which was mainly used in the provision of relief to general revenues, it is reasonable to expect that the users of the railway should be afforded some measure of relief. For the two months of the current financial year ending 31st May 1941, the total gross earnings of the State-owned railways amounted to Rs. 19.56 crores i.e. Rs. 76 lakhs

more than the actuals for the corresponding period 1940-41 and Rs. 284 lakhs more than the actuals for the same period of 1939-40. In his budget estimates the Communications Member placed the revenue for 1941-42 at one crore less than that for the previous year. If the rate of progress indicated by the above figures is maintained, the revenues will instead go up by a few crores and further augment the surplus position. In the face of such a state of affairs, we submit that some relief to the users is overdue.

While on this, we would like to have information if Government have come to any decision regarding the arrears of contributions payable to the General Revenues. The moratorium will expire shortly and it will be interesting to know if Government contemplate any revision of the basis of allocation as laid down under the separation convention. We suggest that before Government come to final conclusions on this point, the tentative proposals may well be circulated to Chambers of Commerce in the country for opinion.

2. **Refusal of the B. B. & C. I. Railway to appoint Surveyors for assessing damages:**

We had recently carried on correspondence with the B. B. & C. I. Railway authorities in regard to the restoration of the system of appointment of surveyors for assessing damages to consignments while in the charge of the railway. Under the present practice the railway company is taking advantage of the reluctance of the commercial public to seek legal redress in respect of such claims by forcing them to accept the awards of the goods Agent who practically is a railway servant. In justification, the company points out that its experience in regard to survey by independent surveyors in the past was not happy. We submit that against this, it may equally be said that, on the other hand, merchants are not quite happy over the present arrangement. Agreement to get such disputes settled by independent surveyors is a common feature of contracts and terms and conditions of business in almost all trades. Further it is of particular significance

that on occasions of disputes regarding damages in connection with transport by sea survey by independent surveyors is invariably resorted to. In order to safeguard the interests of the merchants, it is necessary to provide that on occasions when a specific demand for survey by outside surveyors is made by any party to a claim, the railway should be bound to accept the same. We wish to suggest for the consideration of the Board the desirability of incorporating a rule to that effect in the general rules governing the carriage of goods by railways.

3. Wagon Shortage :

Considerable inconvenience was caused recently to the commercial community by the scarcity of wagons ; while we realise that transport for war requirements should in every way be facilitated, we would, at the same time, urge that civilian requirements of transport should also receive adequate consideration at the hands of the authorities. We are aware that the whole question is the subject of active examination by Government and that the means of furthering the co-ordination of the road and rail transport, with a view to securing the best use of the available facilities, is also being reviewed. It is essential to consider and examine the extent to which a re-orientation of transport is rendered necessary in the light of the recent experience. The "back to the roads" policy recently adopted in England has its lessons for India and let us hope that a real effort at co-ordination of all forms of transport so as to bring about a more expeditious handling of movement of traffic will be made here also.

An examination of the figures of total wagons loaded from 1st April to 31st May 1941, compared with the corresponding period for the year 1940-41, shows that during that period we have moved less number of wagons. The figures are as under :—

Items	*1940–41*	*1941–42*	*1941–42 Compared with 1940–41*
	Number of Wagons		
1. Coal and Coke for the Public and for foreign Railways	222,893	203,476	—8.71%
2. Grains and Pulses	154,872	140,067	—9.56%
3. Oil Seeds	50,862	45,612	—10.3%
4. Cotton	30,415	32,353	+6.37%
5. Miscellaneous Smalls	313,512	285,637	—8.89%
6. Miscellaneous full Wagons	516,562	535,982	+3.76%
7. Home Line Stores and Materials	77,274	73,244	—5.22%

The decline is very marked in regard to coal, grain and pulses and oil seeds. On the one hand it is claimed that recently railways have spared no efforts to improve their operational capacity ; as against this, on the other, the actual number of wagons loaded for the two months in question was less than that for the corresponding period of the previous year. We are pointing this out to seek a re-assurance that every effort is being made to secure an immediate turn round and the maximum use of the existing supply of wagons.

4. Limit for excepted articles under Section 75 of the Indian Railways Act :

Under Section 75 when any costly articles such as precious metals, jewellery, works of art, silk apparel and fabrics are contained in any parcel or package delivered to a railway administration for carriage and the value of such articles exceeds Rs. 100 the administration is not responsible for loss, destruction or deterioration of the parcel unless the contents and value are declared and unless if required by the Administration the parcel is insured. The above limit of Rs. 100 was fixed when the Act was originally framed over 50 years ago. Railway travel then had not attained that popularity which it now enjoys. The habits and mode of life of the people have also undergone a substantial change ; travel for pleasure

or as preliminary to a holiday was perhaps unknown in those days. The prices of such articles of personal use have also gone up since then. The habit of insuring luggage had also not developed in the country. Moreover, the charges for insurance, viz. As. 2 per cent. per 100 miles are considered heavy. In order to meet the difficulties presented by the restriction in question, my Committee had suggested to the Railway Board the desirability of amending Section 75 of the Act so as to enhance the limit to Rs. 300. This suggestion was approved by the Local Advisory Committees of the G. I. P. and the B. B.,& C. I. Railways and it is presumed that the railway administrations in question had lent their support to the same. Unfortunately, the Indian Railway Conference Association turned down the proposal on the ground that the argument that some categories of excepted articles had at the same time become articles of daily use and formed part of the personal luggage of the passengers hardly carried any force if the third and intermediate class passengers formed the great bulk of the travelling public in India, were taken into account. The Railway Board also supported the above view of the Association. My Committee venture to suggest that the reason given for the refusal was perhaps due to lack, on the part of the officers concerned, of knowledge regarding the social habits of the people of the country. Even though the bulk of the passengers travel by third class, on occasions when such travel is connected with social or ceremonial functions, the luggage carried contained some of the excepted articles. We have to request the Board to reconsider this matter and to bring about an amendment of the Section in question, at an early date.

5. Traffic Amenities:

The provision of increased amenities to railway passengers is a matter which is often being raised in the Legislature. We feel that the railways should devote greater attention to this point. Even after a record surplus of over 14 crores last year, the provision made for amenities to passengers in the current year's Budget amounted to only Rs. 9.7 lakhs. We

would here like to refer to an instance illustrating the general attitude of the railway authorities towards suggestions in regard to provision of amenities. Recently, we had suggested to the B. B. & C. I. Railway Authorities that bathing facility should be provided for lady passengers at Rewari Junction. Railways from Bikaner and Ahmedabad meet at this junction and there are a good number of Indian lady passengers. The railway, in reply, pleaded war conditions as an excuse for postponing consideration of this matter. Surely, when the railways are having such a comfortable financial and revenue position, the provision of a small facility like this could have been easily attended to. We urge, therefore, that the outlook of railways in regard to passenger amenities should be modified and greater attention should be paid to suggestion in that regard.

6. Unit of Weight for Parcels :

Prior to 1929, the unit of weight on Indian Railways for charge of parcels weighing under 5 seers was 2½ seers, parcels weighing above 5 and up to 10 seers were charged as 10 seers and parcels weighing over 10 seers were charged on multiples of 10 seers. On representations made by this Chamber, the unit of charge was reduced from 10 to 5 seers in 1929, although the basic minimum unit was retained at 2½ seers. We had recently suggested that a system of charging on the actual weight of the parcel should be introduced and that, if for Administrative reasons a unit is considered inevitable, the charge should be recovered on the basis of a unit of 2½ seers and not 5 seers. We had pointed out that in Great Britain, U. S. A. and Italy, the scale of charges for parcels is based on a minimum unit of weight which is also the unit for computing charges on articles exceeding the minimum weight. The Railway Board did not accept the suggestion on the ground that it would amount to a general reduction in the scale of charges applicable to such traffic. We do not see how a request for charging on the actual weight or for adopting a lower unit of weight would amount to a general reduction in the scale. On the other hand, the present practice

amounts to an overcharge which is not justified. We, therefore, request that this matter should be reconsidered.

7. Standard Conditions of Contract for supply of Stores:

We would like to place before you the difficulties experienced by merchants in the working of the running rate contracts for the purchase of stores by the railways. Under the terms of the contracts the purchaser, i.e. the Railway company concerned, has the option of purchasing 25 per cent more or 25 per cent less than the prescribed quantity. On occasions when prices fluctuate rapidly this provision imposes a serious hardship on the tenderers as they have to carry stock to the extent of 125 per cent of the quantity prescribed in the tender and may, at the same time be called upon to supply only 75 per cent thereof. The optional limit of 25 per cent is excessive. We had once raised this question with the Chief Controller of Stores, Simla, in connection with the contracts of the Indian Stores Department and in reply were informed that "during the present unsettled conditions due consideration will be given to the difficulties," and that "since all contracts are concluded on a mutual basis there would appear to be no necessity to modify the standard conditions of contracts at this stage."

The attention of my Committee has been drawn to the vexatious exercise of the 25 per cent more option in the case of a tender by the B. B. & C. I. Railway. After the declaration of the war in 1939 the railway in the case of a tender decided to enforce the 25 per cent option knowing fully well that prices had undergone a sharp rise. It is not fair that public utility institutions like the railways should take advantage of a clause in the contract which was meant for normal times and which in any case was not intended to be used arbitrarily.

Another point connected with difficulties arising out of the procedure in regard to tenders is in respect of the delay that occurs in coming to final decisions on tenders. It is necessary that the railways should communicate to the tenderers the acceptance or otherwise of the tender within a

week of the closing of the tender in order to enable the tenderer to cover his commitments. A case has been brought to the notice of my Committee in which intimation about the acceptance of a tender which was closed on 4th August 1939, was given on 29th September 1939, i.e., 57 days after the closing date. In the meanwhile, war had broken out altering the market conditions on the basis of which the tender was made. No consideration was shown to the altered circumstances and the railway decided to enforce the tender. To obviate such contingencies we suggest that it should be laid down that tenders should be accepted within a week or two of the last date for submission of the same.

Summary of the replies given by Sir Leonard Wilson, Chief Commissioner of Railways, at the Interview with the Committee of the Chamber on Tuesday, 5th August, 1941.

1. Railway Rates and Fares — Surplus Revenue Position and Relief to Users:

The Chief Commissioner pointed out in reply that if the commitments of the railways in respect of arrears of contributions to the General Revenues and the amount borrowed from the Depreciation Fund aggregating to Rs. 62.8 crores were taken into consideration, it could not be said, notwithstanding the comparatively comfortable revenue position during the last two years, that the railways had reached a position of prosperity. The moratorium in respect of these arrears would expire in March 1942 and the railways would have to consider as to how to meet the obligations. We recalled the stages through which railway finance had passed during the last decade and pointed out that from that experience more caution was indicated and they should not come to hasty conclusions about the continuance of the same level of traffic or revenues. At any rate, he did not see any prospect of a reduction in rates and fares during the period of the war.

As regards the moratorium he was not in a position to anticipate the decision of Government or the Legislature in

the matter. If, however, the Chamber had any particular suggestions in this regard to make, the same would, no doubt, be given due consideration by Government.

2. Appointment of Surveyors to Assess Damages:

In reply, Sir Leonard Wilson observed that from the point of view of the B. B. & C. I. Railway the objection to the adoption of the proposal was that (i) it was expensive and (ii) that in actual practice it was found administratively difficult. He, however, recognised the force of the point of view presented by the Committee, viz. that the railway should not force their own decision on the merchants and promised to discuss the matter further with the B. B. & C. I. Railway Authorities.

3. Wagon Shortage:

He realised the inconvenience caused to merchants by the conditions created by the shortage of supply of wagons. He pointed out that there was an unexpected rush of traffic to Bombay—traffic largely on account of war materials—and the operative capacity of the railways had been taxed to the full. He recalled that as a result of the post-war depression, in response to public criticism, capital expenditure had to be curtailed to the minimum with the result that the railways were not equipped without delay to traffic to meet any such emergency. He added that every effort was being made to accelerate movement and to increase the operative capacity. He also pointed out that it was not only a case of mere shortage in the number of wagons, but there was shortage of motive power also. The G. I. P. Railway had already effected an increase by 30 per cent of their operative capacity and it was expected to achieve a further increase in the near future.

Referring to the figures of wagons actually moved during the two months April and May 1941, quoted by the Committee, he observed that such a comparison for a short period did not present a correct picture. As a matter of fact, the railways had moved 1,600 million ton miles more during the

year ended 31st March 1941, than for the corresponding period of the previous year. He noted the suggestions made by the Committee, during the discussion, regarding the necessity for avoiding diversion to railways of traffic which was going normally through other alternative forms of transport, through coastal shipping and by motor transport, particularly in the interest of relieving congestion during the present times. The case of attempts to move salt by rail from Karachi to Bengal was placed before the Chief Commissioner and he promised to have the matter looked into from all points of view.

4. Limit for excepted articles under Section 75 of the Indian Railways Act:

After discussing the reasons advanced by the Committee in support of this change, the Railway Commissioner promised to examine the matter further.

5. Traffic Amenities:

He had every sympathy with the suggestion of the Chamber that increased attention should be paid to the provision of passenger amenities. He, however, pointed out that at present there was need to curtail capital expenditure to the minimum. He added that the railways would no doubt bear the question of providing amenities to passengers always in mind.

6. Unit of Weight for Parcels:

The suggestion of the Committee, in his opinion, would involve a reduction in revenue. Although he did not consider such a change possible immediately, he would get the matter examined further at a suitable opportunity.

7. Standard Conditions of Contract for Supply of Stores:

He appreciated the contentions put forward by the Committee in regard to the conditions of the contract under reference. He promised to look into the matter if specific instances of hardships arising out of the strict application of the conditions were sent to him.

APPENDIX 11

Purchase of B. N. W. and R. K. Railways.

Telegram, dated 11th November 1941, from Chamber to the Hon'ble the Member for Communications, Government of India, New Delhi.

Committee, Indian Merchants' Chamber are strongly of the opinion that Government should exercise the option for the purchase of the Bengal and North-Western Railway and the Rohilkand and Kumaon Railway in 1942 and accordingly give the requisite notice end of this year. The Indian public in general and the commercial community in particular have expressed themselves unequivocally in favour of State management of Indian Railways. Moreover in the particular case of these Railways the Legislature had in 1931 expressed itself in favour of purchase. The difficulty which presented Government in 1936 in regard to sterling resources no longer existing. Having regard to accumulated sterling balances of over hundred millions in London present time quite opportune to exercise option of purchase. Even from the strictly financial point of view the purchase will be an attractive and profitable proposition as the advantage of the high rate of dividend will accrue to the State.

APPENDIX 12

Preferential Treatment in the Allotment of Wagons.

Telegram, dated 15th May 1941, from Chamber to the Member for Communications, Government of India, Simla.

Committee, Indian Merchants' Chamber understand that Railway Administrations are making preferential allotment of wagons for certain parties on the basis of instructions issued by Government or priority certificates granted by the Agent of the Ministry of Food Shipments on the ground that the consignments in questions were intended for the Ministry of Food. While Committee have nothing to say against

facilities for expediting war supplies they submit that steps of the kind should not be allowed to come in the way of the transport facilities ordinarily available for trade and commerce and that any preference shown to the transport of war supplies should be made available equally to all merchants and parties having contracts or commitments for such supplies. From the reported instances the preference has so far been given only to shippers who themselves are consigning goods from the interior. On the other hand there may be and there are merchants who have to send over goods in fulfilment of commitments to shippers who have sold goods to the Ministry of Food. There is no reason why the facility should not be extended to such cases also. Committee request Government investigate this matter and see that if preferential allotment to war supplies is considered inevitable such preference is extended uniformly to all parties having direct or indirect share of orders for such supplies and also ensure that in the name of war supply the privilege of priority is not abused for securing movement of day to day civil needs.

APPENDIX 13

Transport Shortage.

Telegram, dated 3rd April 1941, from Bombay Chamber, Indian Merchants' Chamber, Bombay Millowners' Association, East India Cotton Association, Marwari Chamber of Commerce, etc., etc. to the Member for Communications, Government of India.

" At a meeting held today of undermentioned Associations it was decided telegraph you urgently advising the grave situation arising out of existing shortage transport from and to Bombay. Owing to congestion of G. I. P. food and grain prices rising. Situation is not assisted by restrictions on road transport. Consider it essential an Executive Officer is appointed to investigate and co-ordinate all forms of transport with view relieving present situation and also plan ahead

for the future when an even greater strain on India's internal transport is anticipated owing to increased output of munitions and other war demands. Grateful for early reply and suggest Senior Officer your Department be delegated discuss matter in Bombay enabling commercial community to offer fullest co-operation."

APPENDIX 14

Wagon Shortage.

Letter No. 3010, dated 27th November 1941, from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.

I am directed to address this letter to you with reference to the Conference which recently took place in the Rooms of the Bombay Chamber of Commerce and the statement made by you thereat. My Committee had received the following letters (copies of which are enclosed) :

1. from Mr. R. G. Saraiya of Messrs. Narandas Rajaram & Co.,
2. from Messrs. Bachhraj & Co., Ltd., and
3. from Messrs. Marsland Price & Co., Ltd.

Mr. Saraiya encloses extracts from a letter from the Chairman, Kopergaon Taluka Shetkari and Saswad Mali Co-operative Purchase & Sale Society, Ltd., Kopergaon, regarding the difficulties experienced by the Society in the matter of transport facilities and its effect on prices of gur. He tries to show the shortage of wagons and of transport owing to the rationing of petrol is affecting directly the price received by the agriculturist for his product.

Messrs. Bachhraj & Co. are afraid that the shortage of wagons will have a very disastrous reaction upon the cotton trade.

Messrs. Marsland Price & Co. complain that their stocks have steadily mounted to about 20,000 sugar bags and 5,000

tins of oil at Diksal station ; the value of the goods is estimated at about Rs. 6 lakhs or more.

I am directed to draw your attention to all these complaints and request you to be good enough to take early steps to remove the same.

APPENDIX 15

Supply of Wagons for Cotton Seed Traffic for Navsari.

Letter No. 58, dated 11th January 1941, from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.

The Indian Cotton Oil Mill, Navsari, have informed my Committee that the G. I. P. Railway authorities have stopped booking of cotton seeds from Burhanpur and Amraoti to Navsari via Amalner, and are not supplying wagons for the same. As this is the season for securing oilseeds, the mill authorities have collected and accumulated stocks of seeds at the stations concerned. If arrangements are not made for transport of the seeds, they would be put to a considerable loss and inconvenience. Besides, the working of their factories will also be disorganised, as without adequate supply of seeds the crushing cannot be carried on. It may also be pointed out that the mill authorities have contracted to supply linters for export purposes, and if they are not given proper facilities to carry seeds and crush them, they will not be in a position to fulfil that part of their contractual obligations. My Committee, therefore, request that early arrangements may please be made to supply them with wagon facilities for transport of cotton seeds via Amalner as in the past.

Letter No. G. 494/N.G.P., dated 15th January 1941, from Chief Traffic Manager, G. I. P. Railway, Bombay, to Chamber.

In acknowledging receipt of your letter No. 58, dated 11th January 1941, I have to inform you that this Railway is experiencing an acute shortage of wagons at present. Every endeavour however, is being made to supply wagons as expeditiously as possible.

APPENDIX 16

Shortage of Wagons on Dhond-Manmad Section.

Telegram, dated 10th January 1941, from Chamber to the Railway Board, Government of India, New Delhi.

Committee, Indian Merchants Chamber have received complaints that owing to scarcity of wagons on Dhond-Manmad section of Great Indian Peninsula Railway large quantities of consignments of sugar are remaining undelivered. This will result in serious loss and inconvenience to parties concerned. Committee therefore request that immediate steps be taken to relieve the shortage.

Letter No. 1005-TT., dated 14th January 1941, from the Railway Board to Chamber.

I am directed to acknowledge receipt of your telegram, dated the 10th January 1941, regarding a shortage of wagons on the Dhond-Manmad section of the Great Indian Peninsula Railway, and to say that all possible steps are being taken to improve the situation.

APPENDIX 17

Shortage of Wagons in the Central Provinces.

Letter No. 312, dated 7th February 1941, from Chamber to Chief Traffic Manager, G. I. P. Railway, Bombay.

My Committee have received complaints from some of their members, particularly from Messrs. Wallace Flour Mills Co., Ltd., Bombay, that they are experiencing great hardship in the matter of their day-to-day requirements for wagons on your Railway in Central Provinces. They inform us that though the wheat sold to them is lying at several stations, actually in the Railway yards, it is difficult to despatch this stock for want of adequate supply of wagons.

While my Committee appreciate that in a recent letter received from you on the question of wagon supply, with

regard to the Indian Cotton Oil Mill, you stated that "every endeavour, however, is being made to supply wagons as expeditiously as possible," they are afraid that unless adequate arrangements are made, and that too very quickly, for supplying wagons to Messrs. Wallace Flour Mills Co., it will be a hardship not only to these manufacturers but also to the public in general and the bakery trade. It is also to be borne in mind that the new wheat crop will soon be on the market, and this will accentuate the situation relating to the wagon supply.

Under the circumstances, my Committee beg to request you to be pleased to expedite adequate supply of wagons.

APPENDIX 18

Wagon Shortage for Transport of Coal.

Letter No. 1148, *dated* 16*th May* 1941, *from Chamber to* (1) *Chairman, Wagon Supply Committee,* (2) *Chief Mining Engineer.*

My Committee have received complaints from industrial consumers of coal in the Presidency, regarding difficulties experienced by them in receiving supplies of coal, on account of the restriction in booking in force over the Railways. My Committee are aware that the Railways are experiencing a general shortage of wagons, but they wish to point out that in the case of coal transport particularly, there are special reasons which render it necessary that adequate arrangements should be made for meeting all reasonable requirements for wagons.

The Railway authorities themselves have, time and again, been impressing upon the mercantile community the desirability of facilitating movement of coal during the slack season, so that, there might not be any difficulty in providing wagons during the busy period. To this end, they are offering an inducement by a reduction in the surcharge by 5 per cent.

This action on the part of the Railway authorities has naturally led to merchants entering into commitments for supply of coal to industrial consumers during particular periods in the slack season. If now, on account of difficulties in securing wagons, such commitments cannot be carried out, besides involving considerable inconvenience to the trade and industries, the primary object of facilitating movement of coal in the slack season will be defeated. My Committee are given to understand that for the last two months allotment of wagons for coal is hardly 3 to 5 per cent.

It is also pertinent to point out that if industrial consumers do not get their supply of coal in time, the normal working of the industries concerned will be seriously affected, and consequently their commitment for supply of industrial products cannot also be fulfilled in time. It is necessary to take steps to prevent such complications.

My Committee, therefore, request that you will be good enough to examine this question of arrangements for adequate supply of wagons for transport of coal and to see that necessary steps are taken with a view to easing the situation as early as possible.

Letter No., 1145, *dated* 16*th May* 1941, *from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.*

My Committee have recently received complaints from industrial consumers of coal, particularly mills, regarding difficulty in getting supplies of coal on account of wagons shortage and restrictions in booking. It appears that on your Railway not more than 50 wagons, per day, are booked via Katni Murwara. In this connection, I am desired to send to you herewith a copy of a letter addressed by my Committee to the Chief Mining Engineer and Chairman, Coal Wagon Committee, requesting him that arrangements should be made for affording adequate transport facilities for the movement of coal. It is hoped that your Railway Administration will also give this matter their earnest consideration and see that

consumers of coal are provided facilities for necessary supplies in time.

Letter No. M. 261|314, *dated 22nd May* 1941, *from the Chief Traffic Manager, G. I. P. Railway, to Chamber.*

It appears that the complaint about the shortage of public coal passing via Katni Murwara is due to the traffic passing via that junction being restricted. The total number of wagons which this Railway will accept via that junction has since been increased and it is hoped that your difficulties will thereby be minimised.

Letter No. 1440, *dated 25th June* 1941, *from Chamber to the Chief Transportation Superintendent, G. I. P. Railway, Bombay.*

I am directed to acknowledge the receipt of your letter No. 261/314 of the 22nd May. You observe that "the total number of wagons which this Railway will accept via that junction has since been increased and it is hoped that your difficulties will thereby be minimised." In the absence of more detailed information as to the number of wagons that are being received now via that junction, it is not possible to appreciate the extent of the increased facilities made available and the consequent improvement in the position in regard to the supply of wagons.

My Committee, however, are informed by some members that they have not yet received even the 6 per cent supply on the basis of the collieries during the last three months and that some of the merchants have hardly received 1 per cent of the orders they have placed. For instance, my Committee understand that the South-East Baraboni Colliery indented for 654 wagons during May and June, but they have hardly received 14 wagons. It is essential, therefore, to have the information about the exact number of wagons the Railway is receiving for coal transport and also its distribution to several stations. It will also be interesting to know by which other *vias* the wagons are being received for Bombay and whether all these *vias* are being kept open all throughout.

Letter No. M. 261-326, dated 3rd July 1941, from the Chief Transportation Superintendent, G. I. P. Railway, Bombay, to Chamber.

This Railway is now accepting a total of 250 B. G. wagons, per day, from the B. N. Railway via Katni Murwara. The extent of the allotments made for the despatch of coal from collieries on the B. N. Railway is a matter which rests with the authorities of that Railway.

APPENDIX 19

Surcharge on Railway Freight on Coal.

Letter No. 2284, dated 13th September 1941, from Chamber to the Secretary, Railway Board, Simla.

The attention of my Committee has been drawn to a Government press-note published on 13th August 1941, notifying that the lower freight charges (i.e. 15%) will continue to be in force throughout November 1941 and that the higher freight rate (i.e. 20%) will begin to operate from 1st December 1941 till the end of April 1942. The press-note explains that "this will give consumers a further opportunity of building up stocks at the lower freight rates and all possible steps to ensure an adequate supply of wagons are being taken by Railways." My Committee are informed in this connection that by increasing the charges from December onwards, the purpose of allowing a lower surcharge by 5% will be defeated. The 5% deduction given in the surcharge was allowed with a view to enable the consumers to accommodate sufficient stocks. Unfortunately, owing to wagon shortage, consumers did not enjoy the facility of securing sufficient coal from last March onwards even for their regular consumption and, therefore, the possibility of sufficient stocks being built up during the period of the lower surcharge is remote. My Committee fear that even if the wagon supply improves—though the prospects of such improvement are rare—the desired stock cannot be built up even by the end of November, as the coal raisings are expected to be short in October and

November, which will improve only after December onwards. My Committee, therefore, beg to urge that the difficulties of the consumers and stockists of coal should be taken into consideration and that Government will be pleased to defer the question of raising freight charges for the time being.

Letter No. 2750, dated 1st November 1941, from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.

The Committee of this Chamber had read your Circular regarding the freight charges on coal, coke and patent fuel. Your Circular states that the increase in freight charges will not be enhanced to 20 per cent till until 1st December 1941, and that it will remain in force at this rate until 30th April 1942. Several merchants of the coal trade, who are members of this Chamber, complain that this Circular will create a wrong impression among coal consumers who may feel that there must be a good number of wagons available for the coal merchants to bring coal from the collieries and that, if there is any shortage in the supply thereof, it is the fault of the coal merchants and not the Railway concerned. My Committee are informed by these coal merchants that as a matter of fact since March last, there has been hardly a supply of wagons for public on an average of about 6 per cent on the basis of the regular indents and that, therefore, there is no question of stocking coal. The merchants would be glad to avail themselves of the opportunity offered to them to bring coal at lower freight rate from the coal fields to Bombay and to stock it during the slack season. If, however, the wagons are not available to them at all or, if available, only a very small percentage of their requirements, there is no meaning in issuing such Circulars. My Committee will be glad to be enlightened on the point whether wagons are available during slack season for the merchants to bring their requirements of coal. They would also like to know the comparative figures of wagon supply during both slack and busy seasons for the last quinquennium.

Under the circumstances mentioned above, my Committee hope that the surcharge of 20 per cent will not be made operative.

APPENDIX 20

Booking of Coal to Manganese Depot, Bombay.

Telegram, dated 28th November 1941, from Chamber to the Chairman, Coal Wagon Supply Committee, Calcutta.

Committee, Indian Merchants' Chamber draw your attention to the serious grievance of coal merchants regarding daily number of wagons for coal booked for manganese depot. They learn that about eighty wagons are at present provided daily. Manganese Depot has plots for coal for bunkering as well as public demands. Wagons to meet all these demands should be allotted in full. It is estimated that one hundred and sixty wagons can be handled daily at the said Depot and the trade is prepared to co-operate with the authorities in unloading, etc. Committee, therefore, request that Manganese Depot should be thrown open for all demands priority and public and one hundred and sixty wagons should be allowed to be carried daily.

Letter No. 61797, dated 5th December 1941, from Secretary, Coal Wagon Supply Committee, to Chamber.

With reference to your telegram of the 28th November 1941, I am directed to inform you that under instructions from the Railway Board, the booking of public coal to the Manganese Depot, Bombay, has been restricted to prevent coal loaded under 'Priority' supply on account of the Principal Sea Transport Officer, Bombay, and for bunkering steamers, being mixed with public consignments.

APPENDIX 21

Congestion in Inward Sheds at Wadi Bunder.

Letter No. CG. 2|213, P. VI, dated 27th September 1941, *from the Chief Traffic Manager, G. I. P. Railway, to the President of the Chamber.*

With reference to para. 3 of my D. O. letter No. CG.2/213. P.VI of 26th September 1941, I find that the Transport Advisory Officer, Railway Board, approached the Government of Bengal in connection with the exemption of the Jute Presses in Calcutta from the operation of the Factory Act so as to enable the presses to receive jute on Sundays. The justification for this request was based on the emergency conditions which have come to exist on account of the war, and the extreme urgency of improving the turnround of Railway wagons so as to provide extra capacity to deal with the additional burden that has fallen on Railway transport. It was pointed out to the Bengal Government that under the present rules, deliveries from goods sheds for consignments unloaded by the Railway staff were not made on Sundays, and for the calculation of wharfage charges, Sundays were not taken into account. If, however, Sundays were abolished as free days, it would be possible to release a large number of wagons every Sunday.

If, therefore, the Bengal Government agreed to give the necessary permission for Sunday working to the Jute Presses, the Calcutta Railways and the Calcutta Port Commissioners would be prepared to issue a joint notification, withdrawing Sundays as *dies non* for Railway wharfage.

2. As a result of this reference, the Government of Bengal issued the necessary Notification which enables Jute Presses to work on Sundays, subject to the conditions prescribed in Section 35 of the Factories Act, 1934, and the Calcutta Railways have issued a notification that from the 1st March 1941, the privilege of treating Sundays as *dies non* will be withdrawn.

3. So far as Wadi Bunder is concerned, I have, on several occasions, offered to keep the Depot open for removal of goods without altering the existing rules for treating Sundays as *dies non*. The co-operation of the public in removing goods was not, however, forthcoming and the arrangement was therefore abandoned.

4. If the principal Chambers of Bombay are prepared to approach the Local Government for a revision of the Shops and/or Factories Act, to enable godowns etc., to be kept open for the acceptance of goods removed from Railway premises on Sundays, the Railway will be glad to co-operate in a joint representation to the Government of Bombay. If you think it advisable to have a joint discussion, I shall be glad to meet you at any time.

Letter No. 2751, dated 1st November 1941, from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.

Your letter dated 27th September, 1941, No. CG. 2/213. P. VI, addressed to Mr. M. C. Ghia, M.L.A., President of the Chamber, was considered by my Committee at their last meeting held on the 28th instant.

Your principal suggestion was that if the merchants felt that the Wadi Bunder Goods Depot should be kept open for the removal of goods on Sundays to facilitate clearance, the Bombay Government might be approached for such relaxation in the requirements of the Shops and Establishments Act as would permit clearance and ancillary work being done on Sunday. You know that recently some steps have been taken by you in co-operation with commercial bodies like this Chamber, the Grain Merchants' Association and others for expediting clearance of goods. So far as my Committee are aware, they have received favourable reports about the reaction of all these suggestions. We are given to understand that there is a good deal of co-operation now between the Railway Authorities, the merchants and the Clearing Agents and that the desired object of expediting the clearance has been achieved to a good extent. Under the circumstances, my Committee

would like that the working of all these efforts for expeditious clearance be watched, that the Railway should increase their staff if necessary for securing more satisfactory result, and if the experience of such working indicates that further effort to speed up the movement is necessary, Sunday working on voluntary basis be tried. My Committee are of opinion that at the present stage at least, it is not necessary to approach Government for a relaxation in regard to the provisions of the Shops and Establishments Act. They also feel that even if the Depot were kept open for clearance on Sundays, the existing rule for treating Sundays as *dies non* for Railway wharfage should not be withdrawn.

Letter No. CG. 2|213. P. VI, dated 7th November 1941, from the Chief Traffic Manager, G. I. P. Railway, Bombay, to Chamber.

I thank you for your above letter, and note its contents.

2. While I appreciate that the recent investigation into the difficulties of effecting deliveries at Wadi Bunder has resulted in a better understanding between the Railway and the Carting Agents, I feel that the measures adopted and the results now being obtained do not carry us over the problem of handling the busy season traffic in the coming months, even though they may have been sufficient to carry the slack season traffic during the past few months.

3. We have recently been unloading about 250 wagons a day, at Wadi Bunder. But this figure has been kept down by imposing a quota loading restriction on all the principal foreign Railways, and on the local Divisions of the G. I. P. Railway. The number of consignments removed daily still averages 1,000 to 1,200 only.

4. What is going to be the position when the cotton and rabi crops come into the market from December onwards? I feel that it will be necessary to increase unloading at Wadi Bunder to 300-350 wagons a day. The Railway has now got the transport and terminal facilities to work up to this figure. But unless the number of consignments removed from the

Depot increases in proportion to the inward traffic received, we shall again face serious congestion.

5. If deliveries can be effected on Sundays, the inward unloading capacity of Wadi Bunder will be increased by 1/7th. I suggest that if we are to meet trade demands in Bombay during the coming busy season, it is essential that the maximum use of the Railway terminal facilities should be made.

6. In order to enable delivery of goods to be effected on Sundays, I am prepared to employ additional staff costing several thousand rupees a month. But unless the co-operation of the trade is obtained in removing the goods from Railway premises on Sundays, such expenditure will be fruitless.

7. I feel that your Chamber, in considering this problem, may have overlooked the urgent need of dealing with increased traffic in the immediate future, and delivery and removal of goods on Sundays would go a long way towards meeting the transport demands of this city during the next six months.

8. I should be much obliged if your Committee would review the position again.

Letter No. 3027, *dated 28th November* 1941, *from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.*

With further reference to your letter No. CG.2/213.E.XI, of the 7th instant, my Committee have considered the above matter, with particular reference to the suggestion about the introduction of Sunday Working at Wadi Bunder. They also had the advantage of discussing the question in all its aspects with representatives of trade interests. The consensus of opinion among such interests is that in view of the practical difficulties, as has already been mentioned in previous discussions connected with this question, it is not feasible to introduce working on Sundays for purposes of clearance from the Wadi Bunder sheds. My Committee, therefore, feel that the idea of Sunday Working should be dropped.

At the same time, my Committee desire to point out that even on the basis of the existing working days, greater

results could be achieved if more facilities were offered to the public by the Railway. They understand that, as a matter of fact, substantially larger clearances were effected in previous years. While they acknowledge that the existing staff are doing their best to cope with the increased work, there is a feeling that the number is inadequate and that by adding a few more hands quicker results could be achieved.

I am desired to suggest, in this connection, that a further meeting with you of representatives of different trade interests will prove helpful in discussing the facilities and other steps necessary to achieve more expeditious results. In fact, in your letter of the 27th September, you had suggested a further meeting. My Committee will arrange to convene such a meeting for the purpose in the office of the Chamber on hearing from you.

APPENDIX 22

Increase in Wharfage Rate by the G. I. P. Railway.

Letter No. 1211, *dated* 22*nd May* 1941, *from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.*

The attention of my Committee has been drawn to the increase in the wharfage rate effected from the 15th instant at Wadi Bunder, Byculla and Dadar Goods Depots, viz : from half an anna to one anna per maund. It is suggested that the object of this increase is to make merchants to effect more expeditious removal of the goods from the sheds, so that movement of wagons and traffic can be further facilitated. In this connection, my Committee are informed that the delay in making speedy deliveries from the sheds is largely, if not wholly, due to inadequacy of Railway staff for dealing with the same. Lately the incoming traffic has increased, but it appears that the Railway authorities have not increased the number of persons on the staff necessary to handle the situation. Carting agents and merchants, with all their desire to speed up the movement of traffic, find it difficult to complete

the necessary formalities, as the Railway staff are not able to cope up with the increased work in time. Instead of, therefore, trying to bring indirect pressure on the merchants by imposing on them anything in the nature of a penalty in the shape of increase in the wharfage rates, it is necessary that the Railway administration should make proper arrangements for speedily effecting deliveries. In any case, my Committee strongly feel that there is no justification for the Railway company resorting to the expedient of increased charges and the same should, therefore, be removed forthwith.

Letter No. CG.2|213, P.V.V., dated 2nd June 1941, *from the Chief Traffic Manager, G. I. P. Railway, Bombay, to Chamber.*

I note remarks of your Chamber, and am glad to have this opportunity of clarifying the position of the Railway.

2. Owing to heavy war demands, and to the general rise in prices of commodities, there has been a heavy demand for movement of goods traffic of all descriptions. At the beginning of this busy season the operative capacity of the Railway was taxed to the full in supplying wagons and engine power to move the traffic—the major portion of which was booked towards Bombay.

In order, therefore, to increase the operating capacity of the line, certain measures, such as increasing the number of goods engines on the line etc., improving yard marshalling arrangements, and speeding up movement were undertaken. These measures have enabled the Administration to move considerably more traffic than in a normal busy season. But geographical considerations made the expansion of unloading facilities at Bombay Goods Depots impossible. The result was that wagons were seriously detained under load, awaiting unloading space at the very time when wagons were most urgently needed to clear stocks at upcountry stations.

3. After careful enquiry, it was found that the fullest advantage was being taken by merchants not only of the free time allowed for clearance of goods, but also of the low rate

of wharfage. If the additional traffic moving to Bombay was to be unloaded without delay after arrival, it was essential that merchants should remove their goods from Railway premises more expeditiously than they have done in the past.

4. An appeal was made to the public both through the Press and by handbills to take quicker delivery of their goods, and their co-operation was sought by personal interviews and letters. I regret, however, that deliveries were not speeded up sufficiently to make room for unloading the additional traffic offering. In fact the deliveries were much below normal. The wharfage charges, therefore, were increased from the 15th May to the same level as existed at Bombay Goods Depot prior to 1937.

5. Your Chamber will doubtless realise that the Railway is most anxious to avoid any restriction on the free movement of traffic to Wadi Bunder and other Goods Depots in Bombay. But it is obviously impossible to allow the reception yards in Bombay to become *congested with wagons* detained under load for want of unloading space. Every wagon is urgently required upcountry to clear traffic offering.

6. The Railway Administration has taken active steps to improve the facilities for delivery of goods. Additional staff have been appointed in the inward sheds, and in sections which required strengthening in order to cope with the extra work. Your Chamber does not make it clear in what way the Railway has failed to develop its organisational efficiency. The Goods Superintendent at Wadi Bunder is always ready to remove any difficulties experienced by the public in taking delivery of their goods, where practicable. But the co-operation of all members of your Chamber is earnestly sought, if the present difficulty in unloading goods is to be overcome.

7. I would suggest that if any member of your Chamber is at present experiencing difficulty in quick removal of his goods, he is invited to discuss his position with the Goods Superintendent, Wadi Bunder, in order that action can be taken, where possible, to assist him. The Goods Superinten-

dent, Wadi Bunder, has also been instructed to adopt a liberal policy in dealing with cases where wharfage charges have been incurred for reasons beyond the control of the consignee. It is only by the joint efforts of the Railway and the public that more traffic can be brought to the City of Bombay.

Letter No. 1346, *dated* 13*th June* 1941, *from Chamber to the Chief Traffic Manager, G. I. P. Railway, Bombay.*

I am directed to acknowledge the receipt of your letter No. CG.2/213. P.V.V. of 2nd June. My Committee appreciate that it is necessary to arrange for the more expeditious removal of goods from the sheds so as to facilitate the movement of wagons and traffic. At the same time, they may be permitted to point out that any steps taken by the Railway Administration with that object in view, should not prove a burden on the trade. If the Railway Administration considers that some pressure in the form of an extra charge is necessary, in order to bring about the speedy removal of the goods from the sheds, they suggest that the wharfage and demurrage rules may well be modified on the following lines :—

1. The first 24 hours after the arrival of the goods (available for delivery) should be free.
2. The next 24 hours wharfage may be charged at ½ anna per maund.
3. After the second day i.e., after 48 hours, the wharfage may be charged at 1 anna per maund.

As it is, the Railway Administration has both reduced the free time and also increased the rate of wharfage. My Committee feel that if the rules are amended somewhat on the lines indicated above, the object of the Administration will be served without unduly penalising the trade.

My Committee hope that you will be good enough to consider their suggestions favourably and to amend the rules accordingly.

My Committee would also like to emphasise that these changes viz : reduction in the free time and increase in the

rate of wharfage should be in force only till the restoration of more normal traffic conditions. As soon as the existing congestion and the difficulties connected with wagon shortage easen, the old free time and the old rates of wharfage should be restored. My Committee would like to have an assurance from your Administration to that effect.

Letter, dated 13th June 1941, from Chamber to the General Traffic Manager, B. B. & C. I. Railway, Bombay.

My Committee understand that recently your Railway Administration has increased the rate of wharfage at the above Goods Depot from 6 pies to 1 anna per maund. In this connection, I am directed to send to you herewith a copy of a letter (see above) which my Committee have addressed to the G. I. P. Railway Authorities suggesting certain changes in the rules governing wharfage and demurrage. It is requested that your Railway also will be good enough to accept the proposals therein and to amend the rules accordingly so that the increased rate of 1 anna would apply only to goods remaining uncleared after 48 hours.

Letter No. CG. 2|213. P. VI, dated 21st June 1941, from the Traffic Manager, G. I. P. Railway, Bombay, to Chamber.

In acknowledging receipt of your above, I am glad to note that your Chamber appreciates the necessity for more expeditious removal of goods.

2. The new wharfage charges are not intended to prove a burden to traders, but have been introduced as an incentive to speed up deliveries. I would point out that these charges are the same as were in force at Bombay Goods Depots for many years prior to 1937, and they were not during that period regarded as burdensome.

3. I have carefully considered your proposal for a graduated charge, but regret I am unable to accept it, as it would complicate accountal and calculation, and would open out avenues of dispute as regards the exact time goods were available for delivery. A simple method of calculating wharf-

age charges, as exists at present, is desirable in the joint interests of the trade and the Railway. No reduction has been made in the liberal free time allowed.

4. I am prepared to reconsider the new scale of wharfage charges when normal traffic conditions are restored.

APPENDIX 23

Appointment of Surveyors to Assess Damages.

Letter No. 33, dated 10th January 1941, from Chamber to the Traffic Manager, B. B. & C. I. Railway, Bombay.

The attention of the Committee of this Chamber has been drawn to the correspondence that had passed between the Grain Merchants' Association, Bombay, and the B. B. & C. I. Railway authorities in the matter of the procedure to be adopted in assessing loss or damage to consignments of goods while under the charge of the Railway Administration. From the correspondence in question, it is evident that the merchants concerned have a real and just grievance with the existing arrangement of such damage being determined by the Goods Agent, that is by a representative of the Railway itself. Survey by independent surveyors is a recognised procedure for settlement of disputes in commercial matters and my Committee feel that there is considerable force in the case put forward by the Grain Merchants' Association for the adoption of such system so far as the disputes between your Railway and the merchants are concerned. For the present, it may be sufficient to allow merchants to ask for the invocation of the procedure for independent surveyors only when they feel that the preliminary assessment made through the machinery of the Goods Agent is not fair to them. There is, therefore, no reason to fear that the system of surveyors would lead either to delay in settling such disputes or involve in any expenditure of an avoidable nature.

It may be pertinent to point out that on occasions of such disputes in connection with sea transport, damages are gene-

rally assessed by survey by independent surveyors. My Committee also understand that even in Bombay the two other Railways viz : the G. I. P. and the Bombay Port Trust Railways, have recognised the procedure of settling such matters by survey whenever so requested by the parties concerned. The practice of settling commercial disputes by arbitration or survey has grown rapidly in recent times, and has been found to achieve satisfactory results in all such matters. My Committee, therefore, are strongly of the opinion that the B. B. & C. I. Railway should also agree to the introduction of a system of appointment of independent surveyors for assessing damage, particularly on occasions when the merchants concerned ask for such an independent survey. The details and the rules of procedure governing such survey should be settled by the Railway Administration in consultation with the trade. My Committee hope that you will be pleased to agree to the above suggestions.

Letter No. T.5.C.10|41, dated 18th February 1941, from the Agent, B. B. & C. I. Railway, Bombay, to Chamber.

With reference to your letter No. 33, dated the 10th January 1941, I would refer you to the enclosed copy of Item (i)* of the minutes of the closer contact committee meeting held on the 29th January 1935.

It is gathered from your letter under reference that you presume that the Railway has had no experience of surveyors. Actually this is not the case. It was our bitter experience, extending over a number of years, of assessment by surveyors, that finally led us to change the procedure. It was practically unknown for the views of a surveyor appointed by a merchant ever to coincide with those of the Railway's surveyor. Although in each instance our surveyor would assure us that his estimate was reasonable and represented the utmost loss the damage could have caused, the rival surveyor would frequently assess the loss at twice the figure and sometimes even more than that. Thereafter an umpire had to be

* Not printed.

appointed. Even on this point there was often disagreement between the surveyors as to who the umpire should be, and whilst this was being settled the consignment would remain on hand deteriorating.

The position became so acute that at one time this Railway contemplated making a departure from the accepted practice of paying claims, for transit damages caused by wet to consignments booked at Railway risk, irrespective of whether or not the Railway was responsible in terms of Section 72(1) of the Indian Railways Act. This course was not, however, adopted. Instead it was decided to continue to meet such claims provided they were reasonable, and some procedure could be devised to ensure that where the original offer made by a Railway official was found unacceptable to the merchant, the Railway would not be mulcted in the payment of survey fees in addition to unduly heavy compensation resulting from assessments by surveyors, and the delays attendant thereon. Assessment by weighment was accordingly introduced.

When assessments are made by this method, all labour and facilities are provided by the Railway, and the staff have instructions to include in the weighment, every part of a consignment in any way affected by the wet damage. The rejected stuff is afterwards taken over and paid for by the Railway. By this procedure the Railway is spared the expense of a surveyor's fee as is also the merchant, unless of course he instructs a surveyor to represent him at the weighment.

Assessment by weighment has been made on a number of occasions with satisfaction to all concerned, since it removes all grounds for dispute and both parties know that they have had a fair deal.

To illustrate the facility with which even an experienced person can over-estimate the extent of damage judged from the outward condition of bags plus a cursory examination of part of the contents, it is pertinent to mention a consignment of soowa seeds which arrived in Bombay last June in a slightly damaged condition. The consignees, a well-known firm of

shippers, stated that the consignment was intended for export and that none of the damaged seeds could be shipped. They intimated, after an experienced member of their staff had examined the outward appearance of the consignment, and cut a few of the damaged bags in the manner favoured by surveyors, that in their opinion, as also in the opinion of the sender who happened to be in Bombay, the seeds had sustained damage amounting to not less than Rs. 100 as against an estimate of Rs. 12-8 on the part of the Goods Agent.

A partner of the Shipping Firm called at the office of the Company's General Traffic Manager and asked if the Deputy General Traffic Manager (Claims) would see the bags and thereafter agree to award Rs. 100.

After examining the bags the Company's General Traffic Manager informed the Shippers that in his opinion the Goods Agent's award was, if anything, liberal. Thereupon the shippers' representative requested the Railway to take over all the seeds actually damaged or any way deteriorated as a result of the damage. This was agreed to and after cutting the bags and removing such portions of the contents as, in the opinion of the sender, were in any way damaged, 2 maunds 13 seers of soowa seeds, of a market value of Rs. 11, were left on our hands.

The more recent correspondence with the Grain Merchants' Association on the subject of surveys, arose out of an alleged ex-parte survey by a member of the Association, of 13 bags of gram, part of a consignment received at Carnac Bridge in August last.

In the opinion of the Railway's Goods Agent the contents of only 8 of the rejected bags were damaged, and that to a very slight extent. This the consignee disputed and through a pleader demanded a joint survey. Assessment by weighment was immediately offered but declined, and the so-called "ex-parte survey" was carried out upon Railway premises.

According to the surveyor, the loss through damage amounted to Rs. 48. Because this award was considered

fantastic, regard being had to the actual damage, the consignee's carting agent was prevailed upon to leave the bags on hand for 48 hours after the assessment was made, and in the meantime an invitation was extended by letter to the Grain Merchants' Association, to send two of their members to see the bags before removal from Railway premises, in order that they might have first hand evidence of how unreasonable and divorced from reality a surveyor's award can be. It was mentioned in the letter that either the Company's General Traffic Manager or his Deputy would be present by arrangement at the time of examination. Regrettably the invitation was not accepted.

It may be added that an independent Panch surveyed the bags on the day they were actually removed, which was more than a week after the damage was first discovered, and placed on record that in their opinion the extent of loss by damage was Rs. 12-4.

In the circumstances explained I regret I am not prepared to re-introduce the system of appointing surveyors.

Letter No. 1099, *dated 8th May* 1941, *from Chamber to Agent, B. B. & C. I. Railway, Bombay.*

I am directed to acknowledge the receipt of your letter No. T.5C.10/41, dated 18th February 1941, on the above subject.

My Committee are disappointed that your Company has not seen its way to accept the suggestion for the introduction of the system of appointing Surveyors for assessing damages. The reasons given by you in justification of that decision are, to say the least, unconvincing.

In your second paragraph you observe that you gathered from my earlier letter that my Committee had presumed that your Railway had no experience of surveyors. May I point out that there was nothing in my said letter to warrant that inference ? As a matter of fact, it was mentioned therein that my Committee had gone through the correspondence that

had passed between the Grain Merchants' Association and your company in regard to this question, and this correspondence did refer to the practice which at one time obtained of appointing independent surveyors to assess damages. There is, therefore, no question of my Committee being under any impression that your company had no experience of survey by independent surveyors.

You have also cited instances of cases in which exaggerated awards of damages were made by surveyors in the past. My Committee would only point out in reply that " Exceptions prove the rule ". It would not be difficult to collect instances of the present system of ascertaining damages by the Goods Agent, on the other hand, having similarly underestimated loss from the point of view of the merchants. Such instances, quoted by you, they venture to suggest, cannot detract from the merits of the issue on principle.

Again, as against your experience in the matter of the working of the survey system for ascertaining damages to consignments while in the care of the Railway, there is the overwhelming evidence of the very successful way in which survey by independent surveyors is being increasingly resorted to in all commercial matters. In fact, of late, agreement to get disputes of this character settled by independent surveyors is a common feature of contracts or terms and conditions of business in almost all trades.

It is further of particular significance that, on occasions of disputes regarding damages in connection with the transport by sea, survey by independent surveyors is invariably resorted to ; what is more to the point is that the two sister Railways in Bombay, viz., the G. I. P. and the B. P. T. Railways are resorting to this machinery in exactly similar circumstances.

My Committee would, therefore, request that your Railway will be good enough to reconsider the matter and to agree to re-introduce the system of assessing damages by independent surveyors.

APPENDIX 24

Unit of Load for Linseed

Letter No. CG.2|178, dated 17th September 1941, from the Chief Traffic Manager, G. I. P. Rly., Bombay, to Chamber.

The position regarding wagon supply is one which is not unknown to you. During the last busy season, this Railway experienced a severe shortage of wagons and, with a view to ascertain what improvements can be effected in the supply of wagons during the ensuing season, this Railway is investigating the possibility of putting the wagons available on the line, to better usage.

2. It is found that in accordance with the conditions of marketing in the Bombay market, linseed is sold in lots of 25 tons and merchants are anxious of despatching linseed in consignments of 25 tons each. You are aware that a separate Railway Receipt is issued for each portion of a consignment loaded in a separate wagon. The normal carrying capacity of our wagons is about 20 to 22 tons and if, therefore, a consignment of 25 tons of linseed is offered for booking, it has to be loaded in two wagons or, if one Railway Receipt has to be issued, a bogie wagon of 40 tons c.c. will have to be used. Apart from the fact that the process of indenting for a bogie wagon and receiving supplies of these special types of wagons, involves delay, this size of consignments of linseed is uneconomical from the point of view of wagon usage.

3. I, therefore, approach you with a view to suggest that the unit of marketing may be based on a more economic basis from the point of view of wagon usage, which will be in the ultimate interest of the trade and, incidentally, of the Railway also. May I suggest that the Rules on the subject of marketing may be amended with a view to fix a lower limit than 25 tons, viz. 20 tons.

4. I shall appreciate your co-operation in this connection. I am addressing the Marwadi Chamber of Commerce and the Grain Merchants' Association, on this subject.

Letter No. 2606, dated 15th October 1941, from Chamber to the Chief Traffic Manager, G. I. P. Rly., Bombay.

Please refer to your letter No. CG.2/178 of the 17th instant on the above subject. In this connection, I am sending to you herewith the copy of a letter * which my Committee have received from the Marwadi Chamber of Commerce, wherein, the practical difficulties involved in accepting your suggestion for a 20 tons unit of marketing in the linseed trade are stated. In view of the same, my Committee are of the opinion that the proposal in question is not feasible and that, therefore, your Railway should not proceed further in the matter.

APPENDIX 25

Coir Matting on Railway Platforms receiving Oil Casks

Letter No. 2802, dated 6th November 1941, from Chamber to (1) The Chief Traffic Manager, G. I. P. Rly., Bombay, (2) The General Traffic Manager, B. B. & C. I. Rly., Bombay.

I am directed to bring to your notice a complaint received from the Bombay Oil Merchants' Association regarding the absence of coir matting on railway platforms in the goods yards receiving oil casks which are being sent upcountry. My Committee are informed that in the past it was the practice of the railways to spread coir matting on the platforms where oil casks were deposited before being railed upcountry which prevented the casks from being damaged. As this practice has now been discontinued, the casks, while being deposited on the platforms, strike against the stone flooring and break resulting in much loss of oil to merchants. My Committee request that this complaint may be looked into at an early date and provision of coir matting may be made on the platforms as suggested.

* Not printed.

Letter No. CA.9668|41, dated 1st December 1941, from the General Traffic Manager, B. B. & C. I. Rly., Bombay, to Chamber.

I beg to acknowledge receipt of your letter No. 2802, dated 6th November, 1941, and to state that the contents thereof have received attention.

So far as I am aware, it has never been the practice on this railway to spread coir matting on platforms where oil casks are to be deposited, neither would this be a practicable proposition.

I am informed by the Goods Agent, Carnac Bridge, at whose Depot much of this traffic is handled, that it is most unusual for senders' representatives bringing oily consignments to the Depot, to unload them in such a way as to occasion damage, whilst the railway staff are experienced in handling and do not damage such consignments when transferring from the platforms to the wagons.

Letter No. CLGL.252 Pt. II, dated 12th December 1941, from the Superintendent of Claims, G. I. P. Rly., Bombay, to Chamber.

With reference to your letter No. 2812 of the 6th ultimo, I find that the information given in regard to the spread of coir matting on platforms, where oil casks were deposited before being railed upcountry, is incorrect in so far as Wadi Bunder is concerned. It has at no time been the practice to spread coir matting on the portion of the shed allotted for loading of oil consignments, but there are available at each of the two oil scales, two large cushions approximately 6' x 4' made from old tarpaulins and stuffed with soft material with a view to unloading of oil casks from lorries direct on these cushions with the object of preventing damage. In case the two supplied at each scale are insufficient, I am arranging for a further cushion, making the number three at each scale.

APPENDIX 26

References from the Indian Railway Conference Association

Letter No. 1213, *dated* 23*rd May* 1941, *from Chamber to the Secretary, Indian Railway Conference Association, New Delhi.*

I am directed to refer to your letter No. T.97/XXXII/1, dated the 5th February, 1941, and to say that my Committee have considered the proposals made therein.

They have examined the existing classification of oils and they feel that the same requires complete revision. In their opinion, it would be far better if oils of different origins are classified differently. For instance, my Committee cannot appreciate the purpose in including, say, Barra seed oil under the sub-heading Kusum seed oil or Jamboo seed oil and Sohan seed oil under the sub-heading Tara seed oil. In their opinion, oils should be classified somewhat on the following lines :—

1. **Mineral Oil,** to include oils like Axle oil, cylinder oil, dynamo oil, machine oil, etc.

2. **Crude Vegetable Oils,** to consist of oils like coconut oil, groundnut oil, castor oil, linseed oil, til oil, etc.

3. **Refined Vegetable Oils,** amongst which may be included Olive oil, Argo oil, Maize oil, Cocogem, refined Groundnut oil, refined Castor oil (for medicinal purposes), Vegetable product or Vegetable ghee, etc.

4. **Essential Oils,** such as Eucalyptus oil, Lemon Grass oil, Citronella oil, Almond oil, etc.

My Committee are further of the opinion that mineral and crude vegetable oils mentioned under classification 1 and 2 should be charged under 2 A.R.R. or 2 O.R., while Refined vegetable oils and Essential oils mentioned under the heading 3 and 4 above may well be classified under 4 B.R.R. or 4 O.R.

My Committee would prefer to see even refined vegetable oils being classified under 2 A.R.R. or 2 O.R., as they are

edible products and as such they should reach the large number of consuming centres at as low a freight as possible. They, however, realise that the prices of such refined oils are higher than crude vegetable oils and that, therefore, the former can well bear a higher classification than the latter.

For Essential oils, the classification should be 4 B.R.R. and 4 O.R.

My Committee hope that the Conference authorities will see the force of the suggestions made above and revise the classification of oils accordingly.

Letter No. 2980A., dated 26th November 1941, from Chamber to the Secretary, Railway Conference Association, New Delhi.

With further reference to your circular letter No. T.97/XXXIII/1 of the 8th August, 1941, and in continuation of this office letter No. 2846, dated the 12th November, 1941, my Committee have since received representations from interests representing Sandal Wood trade that the proposal before the Commercial Committee to raise the classification of sandal wood roots cannot be justified. The main reason advanced by the M. & S. M. Railway in support of the proposal is that sandal wood roots have a larger oil content and are, sometimes, costlier than sandal wood. It is, however, ascertained on further enquiries that the roots need not necessarily yield a larger quantity of oil and that much depends on the quality of the wood itself. It cannot be asserted as a general proposition that the oil yield in roots is greater than that from billets classes and as such the case submitted by the M. & S. M. Railway for increasing the rate of sandal wood root by placing the same in the classification applicable to sandal wood cannot be sustained. Under the circumstances, my Committee are opposed to the proposal and strongly urge that no change should be made in the existing classification.

APPENDIX 27

Measured Rate System for Telephones

Letter No. 835, dated 7th April 1941, from Chamber to the Director-General of Posts & Telegraphs, New Delhi.

The attention of the Committee of this Chamber has been drawn to a recent circular issued by the Divisional Engineer, Telegraphs, Poona, stating that the measured rate system of telephone charges will be brought into operation at Poona from 16th September, 1941, or on a subsequent date that might be decided by the Government of India, and to the representation which has been submitted by the Mahratta Chamber of Commerce and Industries, Poona, regarding the same. A similar suggestion for having the measured rate system was mooted in Bombay by the Bombay Telephone Company in 1925, and the Committee of this Chamber submitted a very strong and emphatic protest against the same. There was a good deal of correspondence on this question between my Committee and Government and the Hon'ble Sir B. N. Mitra, then Member-in-charge of the portfolio specially came down to Bombay in 1926 to discuss the question. Ultimately, the Government of India decided against the proposal. My Committee cannot understand why now this proposal has been brought forward for Poona. People in this country have yet to be introduced more and more to all these modern scientific systems for the development of trade and industries and for easy communication. The proper course, therefore, would be to continue the present rates and to introduce the telephone system in all the leading towns and cities, if not villages. The introduction of the measured rate system will make the telephone service at once very costly and it will hamper the progress of the wider use of telephones by the public at large. My Committee, therefore, beg to strongly protest against the proposal to introduce the measured rate system of telephone for Poona, and to request that the Government of India will be pleased not to do so for the reasons stated above.

APPENDIX 28

Change in Telephone Numbers

Letter No. 1263, *dated* 31*st May* 1941, *from Chamber to the Secretary, Bombay Telephone Company, Ltd., Bombay.*

My Committee have received complaints about the inconvenience caused to subscribers by the Company changing numbers of the subscribers frequently. From the information placed before my Committee, it would appear that in a particular case the number was changed more than once within the period of about one year. My Committee are aware that under the hiring contract the company has retained to itself the right to change the numbers whenever it is deemed necessary to do so. They would, however, like to point out that changes in numbers involve avoidable inconvenience to the subscribers.

My Committee had occasion in the year 1935 to point out to your company the necessity for avoiding change of telephone numbers and in reply they were assured that such changes would not be effected except in cases where for operational reasons they were considered inevitable. The company's reply further explained that on occasions like the opening of a new exchange or partial reconstruction of an existing exchange it would perhaps be not possible to avoid change in numbers.

In a particular case which they have before them, as far as they are able to understand, no such reasons of an operational character or the usual reason given by the Company in their letter of intimation, viz., " changes in automatic system " hold good. The number concerned is in a suburban exchange and to their knowledge there has not been any recent change in the form of partial or total reconstruction of the exchange.

My Committee wish also to convey to you a feeling prevailing among the subscribers that in the case of Party Lines particularly they are subjected to the inconvenience of fre-

quent changes. They would like to enquire if the changes are more frequent in the case of Party Lines and if so, whether there are any technical or operational reasons for the same.

My Committee request that you will be good enough to look into this matter and take steps to ensure that avoidable inconvenience is not caused to the subscribers by frequent changes in the telephone numbers.

Letter No. 17|C., dated 2nd July 1941, from the Bombay Telephone Company, Ltd., Bombay, to Chamber.

I have to acknowledge receipt of your letter No. 1263, dated the 31st May 1941, to which I am instructed by my Board to reply as follows :—

While my Board realise that inconvenience may be caused to subscribers as a result of telephone numbers being changed this is essential and unavoidable in many instances. You will appreciate that it is not possible to foresee all the circumstances under which a change may in the future be necessary. The principles which have been followed in the past and which will be followed in the future have been set out already.

As regards the Party Line System of telephone service, this is based on the sharing of a line by the two subscribers who are the most conveniently situated from the economic standpoint and instances do occur from time to time which necessitate numbers being changed. More frequent changes of Party Line telephone numbers may take place in future on account of the gradual conversion, in the Exchanges, of Party Line equipment to direct Exchange Line equipment, as no new Party Lines are being installed.

You may rest assured that changes are not made when it is practicable to avoid them and as a matter of fact, it is entirely against the financial interests of the Company so to do.

I may add that normally changes are made at the time when Telephone Directories are issued and the longest possible notice is given so no difficulty arises in that connection.

APPENDIX 29

Prohibition on the Use of Codes in Foreign Telegrams

Letter No. 1033, *dated* 29*th April* 1941, *from Chamber to the Commerce Department, Government of India, Simla.*

Immediately after the declaration of the War the Government of India instituted a system of censorship on all classes of postal communications including foreign telegrams. One of the conditions prescribed was that telegrams other than in plain language would not be allowed to be transmitted. The attention of my Committee has been drawn to the difficulties caused by an attempt to apply this restriction in a manner so as to prevent the transmission of ordinary trade messages in which certain terms familiar to the trade are being used.

In business communications it is common, while sending cable messages to refer to previous indents or invoices, etc., and to detailed specifications which might have been sent in advance by post. Thus an enquiry giving all details of the commodity, the form in which it should be packed, detailed measurement, quality or strength, etc., is sent by post. In following it up with an order the merchant concerned usually sends a telegram referring to the specification number and conveying his wishes in the matter. To give a concrete instance : if a merchant sends a telegram " Offer Camphor Specification 024 ", according to trade practice, it means that an offer regarding supply of camphor in terms of the specification No. 024, the details of which had been sent by post, is made. The words " Camphor Specification 024 " are thus in actual practice a reference to previous correspondence where the details regarding the supply of camphor and the terms and conditions of the supply have been made. Such telegrams are a normal feature in day to day business and are, in fact, being used and received in messages sent out from foreign countries to this country also. I am enclosing herewith copies of two typical telegrams received by a merchant who is a member of this Chamber, one from London and another from Japan,

which go to support that the Censorship authorities in those countries treat the use of such terms as a normal trade practice and are freely allowing the same in Censorship.

Information has been placed before my Committee that recently the Censorship authorities in India are objecting to such references and are inclined to hold that the use of such words as "Camphor Specification 024" is not plain language and as such telegrams are not in plain language. Government will appreciate that it would be practically impossible to send all such details by telegram and that, therefore, it is necessary to allow these details being sent by post and any reference to them in the manner indicated above by telegram should not be deemed as objectionable.

What is more, when these specifications are sent by post the Censorship authorities object to such details being given a reference by a specification number as in their opinion such a practice amounts to the specification number being in the nature of a Code for the details in question. After all the object of the Censorship is that objectionable matters or information should not be allowed to reach outside sources through the use of devices or messages which have meanings other than those indicated by the very words themselves. In this case it is very obvious that the words in question refer merely to detailed information sent in advance by post and my Committee submit that such a practice should not be deemed in any manner as coming within the prohibition of the use of language other than plain in telegrams.

If the use of such reference terms as "specification numbers", indent number, etc., is sought to be prevented under the censorship regulations, it will impose avoidable inconvenience, great hardship and considerable expenditure on the business community.

As objection has actually been taken by the Censorship authorities to such detailed specifications being sent by post and being referred to in telegrams by specification numbers, my Committee request that instructions may please be issued

to clear the position so that such messages may be allowed in future without any hitch.

If, however, Government are inclined to hold that the practice referred to above is objectionable, my Committee suggest that a system of filing or registering such specification numbers together with the details of the specifications with the Censorship authorities may be instituted so that after such a registration the parties concerned may be able to use freely the terms in question. This procedure will ensure that by the use of specification numbers no objectionable messages are allowed to be transmitted and that they do not carry any meaning other than that contained in the registered explanation.

As Censorship authorities have actually taken objection to the despatch of such specification and details by post, my Committee request that this matter should receive the early attention of Government.

TRUE COPIES OF THE TELEGRAMS

Dated 28th March 1941. No. 895.

L 3587/B1 London 42/41 28 1712

NLT Mahomed Tantanpura Bombay

Quote zincdust 92/94 per cent hundredpound drums L 60 Fas NewYork including five very scarce and export licence difficult but have licence covering 50 tons shipment 4/5 weeks. Your cable twentysixth *specification thirtythree* quote pounds 28/10.

Fowler.

Dated 11th March 1941. No. 132.

DF IA 14 OSAKA 11 IRC 29/27 LC

Mahomed Tantanpura Bombay

Received *specification fiftysix* sheets sen thirtyone twenty forty exhausted wires five tons each yen 29.90 39.80 20 = G 48.70 110 lbs. coil wrapped March/April.

Nitia.

Letter No. 06-C(5)|41, dated 31st July 1941, from Commerce Department, Government of India to Chamber.

I am directed to invite a reference to your letter No. 1033, dated the 29th April 1941, on the subject noted above, and to say that this matter has been carefully gone into by the Government of India with the Censorship authorities. The latter state that there is a general endeavour throughout India to abbreviate telegrams and to use in them private trade terms and code expressions until they reach a point when they convey little or no sense to anyone except the sender or receiver.

2. The Censorship authorities are unable to accept your Chamber's proposal regarding the filing or registration of specification numbers. They point out, and the Government of India agree with them, that it is not always obvious that a specification number or trade term has no hidden meaning. This can generally only be determined by the whole context of a telegram. The Censorship authorities must therefore insist on telegrams being so worded that they are understandable by a Censor without reference.

3. Censors have, however, been instructed not to apply the instructions regarding plain language in telegrams too literally or obstructively. Where abbreviations or specification numbers, etc., are used in a telegram, it will be passed, provided the Censor concerned is satisfied that no meaning other than the obvious one could be attached to such abbreviations or specification numbers. It will, however, be the responsibility of the sender, if he does not wish his telegrams to be delayed or stopped, to word them to conform with these instructions.

APPENDIX 30

Maximum number of Figures in Reduced Rate Foreign Telegrams

Letter dated 13th June 1941, from Chamber to the Director-General of Posts & Telegraphs, New Delhi.

The Indian Chamber of Commerce, Calcutta, has forwarded to my Committee copies of correspondence that had passed between the Chamber and Government regarding provision in Clause 451 of the Post & Telegraph Guide that numbers written in figures, abbreviated expressions, etc., occurring in reduced rate foreign telegrams should not exceed one-third of the total number of words in the text of the message. My Committee recognise that the restriction in question is prescribed in terms of the relevant provision of the International Telegraph Regulations based on the International Tele-Communications Convention and that as a signatory to the Convention India is expected to observe and respect the requirements in question. My Committee would, however, point out that in view of the existing abnormal circumstances, Government should consider the desirability of approaching the other allied or neutral signatories to the Convention for a suspension of the particular provision, at least for the period of the war. The disorganisation in transport of mails by sea and the difficulties and delays recently experienced in connection with air transport have rendered necessary a more frequent, and perhaps exclusive, use of the telegraphic communication for commercial messages. Code telegrams have been prohibited. If the restriction under discussion, which was framed in normal times for normal conditions, is enforced strictly the same would amount to an avoidable inconvenience to commercial users particularly in the present emergency. My Committee, therefore, request that Government should take steps to secure the suspension of the provision for the period of the war. As telegraphic communication now is possible only with countries which are either neutral or allied to His Majesty's Government, such suspension, my Committee believe, can be arranged after securing the consent of such Governments.

In this connection, I am also to enquire whether for the purpose of the rule in question if a figure is expressed in a word or words in the telegram the same would come within the purview of the regulation, i.e., if, say, the figure 70 instead of being mentioned in numerals is entered as SEVENTY, the same would be treated as a word or as a figure.

Letter No. TTL.69|41, dated 2nd July 1941, from the Director-General of Posts & Telegraphs, New Delhi, to Chamber.

With reference to your letter No. 1344, dated the 13th June 1941, I am directed to inform you that the rule in question (fourth sub para. of Clause 451 of the Post & Telegraph Guide) is a permanent one which is based on the International Telegraph Regulations. For the information of the Committee of your Chamber, a copy of the relevant rule of the International Regulations is enclosed.

2. I am to add that the Administrations signatory to these Regulations are bound to follow them, and it is not open to any Administration to waive or relax any provisions thereof. In the circumstances, the Director-General regrets his inability to relax the rule, as suggested, regarding the maximum number of figure groups permitted in foreign telegrams.

3. In this connection, however, I am to suggest that the problem can be solved, at least to some extent, if as many numbers as possible are written in words instead of figures.

4. As regards the statement contained in your letter under reference that Code telegrams have been prohibited, I am to point out that this is not correct. No less than nine Commercial Codes are at present permitted in foreign telegrams.

5. With regard to the enquiry made in the concluding para. of your letter under reference, I am to say that numbers written in words (e.g. SEVENTY) will be counted for purposes of the rule above referred to, as words and not as figures. The rule clearly refers to *numbers written in figures*, etc.

6. The Director-General hopes that the position as explained will be appreciated by your Chamber.

Extract from International Telegraph Regulations, Cairo, 1938.

726. If numbers written in figures, abbreviated expressions, groups of letters or of letters and figures indicating either commercial marks or trade marks, or goods, or recognised arbitrary technical terms used to denote machines or parts of machines, or lastly other expressions of the same sort are used in the text, the number of such groups, reckoned in accordance with the rules for charging, must not exceed one-third of the number of chargeable words in the text, including the signature. If the one-third gives a fractional number of words, it is rounded up to the next whole number.

APPENDIX 31

Petrol Rationing

Telegram, dated 7th August 1941, from Chamber to Commerce Department, Government of India, Simla.

Committee Indian Merchants' Chamber consider scheme of Petrol Rationing as announced unduly harsh. While they realise that some control to check private use in order to ensure supply for war requirements inevitable, they feel that the manner and method in which the object is sought to be achieved will entail considerable inconvenience particularly to the mercantile community. The basic ration allowed is extremely insufficient and has not taken due account of the practical realities of the situation. The distance between industrial and commercial areas on the one hand in a city like Bombay and residential localities on the other necessitates movement by motor vehicles of a considerably much larger mileage than would be permissible under the rationing proposals. In order that the rationing may not work out oppressively or lead to unsettling of day to day business activities, it is imperative that the basic rations fixed under the scheme should be considerably increased at least for industrial and commercial centres. Orders should also be issued that supplementary rations should be issued liberally so that in all

cases where movement or travel is avoidable no hardship is caused on account of the Rationing Scheme.

Letter No. 1984, *dated* 14*th August* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

I am directed to acknowledge receipt of your telegram of the 12th August 1941. My Committee have been going further into this question (petrol rationing) and examining it in all its aspects. They should like to draw the attention of Government to one or two points which may not have been noticed by you. My Committee would like to emphasise that the average distance between places of residence, business, factories, shopping, etc., is much bigger in Bombay than in the mofussil. The average distance in the mofussil may be about one-fourth to half a mile while the *average* distance in Bombay is not less than three to four miles for each such distance. The basic mileage fixed for Bombay, viz. 200 miles is extremely small for an industrial and commercial city like Bombay, whereas the same figure for small towns and locations may be relatively less irksome. The whole spirit of modern trade, commerce and industries is speed and despatch and unless this is achieved they will suffer. Bombay is very busy with war time industries and such war efforts are bound to suffer if there is no change made in the basic rationing. My Committee realise that there may be special allowance equal to the basic rationing in case of industries, etc., but even this will not suffice and my Committee strongly urge that the basic rationing itself must be doubled while special rationing must be given to businessmen in cases of proved necessity.

The bulk transport plays a very great part in modern industries. My Committee are afraid that unless radical changes are made in the rationing rules and regulations issued by Government, the bulk traffic will suffer most heavily leading to a practical cessation of several trades such as the building trade as also a heavy set-back in the cotton trade. Due to the rapid progress of motor transport the bullock transport which was the mainstay of several trades and industries in the city, has been practically eliminated. If on top of this

the motor transport is also curtailed seriously, trades and industries will suffer heavily. Under these circumstances, my Committee beg to approach Government with a request that they will be pleased to radically alter the limits put down for personal use of businessmen and ease the threat to several trades employing bulk transport. The Committee of the Chamber feel that care should be taken not to create more unemployment, dislocation and inconvenience than are quite justified by the necessity of the situation.

APPENDIX 32

Petrol Rationing and Manufacture of Power Alcohol.

Letter No. 2028, dated 19th August 1941, from Chamber to Commerce Department, Government of India, Simla.

The petrol rationing scheme, as recently promulgated by Government, is going to seriously harm the interests of trade, commerce and industries and it has become a vital problem for these to find out hew substitutes for petrol so that there may be no retarding of the progress. One of such alternative methods is to utilise molasses for the production of power alcohol. My Committee have long since been pressing upon the attention of Government the necessity for such utilisation of molasses and yet, unfortunately, upto now no steps have been taken in this direction. Now that Government have organised and started technological and technical Committees consisting of well-known technical experts and scientists from all over the country, they feel that no insuperable difficulty would be found to work this problem out, viz. finding a suitable substitute for petrol. They feel sure that if proper efforts are made and if sufficient sympathy and encouragement are shown to the capitalists and necessary changes are made in the Excise Rules, it will be possible to find a substitute for petrol at no distant date. In this connection, Government may very well enter into negotiation with sugar manufacturers and cooperate with them in getting such a substitute as a successful commercial product. Such a substitute will indeed be most

welcome for trade, commerce and industries and even agriculture and, at the same time, it will be a great factor in the war efforts of the country.

APPENDIX 33

Restriction on Motor Transport.

Letter No. 3028, dated 28th November 1941, from Chamber to the Secretary, Home Department, Government of Bombay.

The Indian Roads and Transport Development Association have forwarded to my Committee copies of their two letters addressed to Government; the first one dated 17th October, No. 167/BS/41, and the second dated 19th November 1941, No. 1179/41.

The first communication refers to the hardships likely to be experienced by the restrictive measures imposed by the Regional Authority in North Deccan. It would appear that Government propose to issue not more than 150 permits for public carriers in that region, while the number of public goods vehicles owned by residents of that area prior to the enforcement of the new Regulations is estimated at about 300. It is also proposed to restrict the number of permits of vehicles from other areas to the maximum of 200. The cumulative effect of these restrictions, it is feared, will be to further curtail the existing facilities for transport at a time when owing to the general transport shortage considerable dificulties are being experienced by trade, industry and agriculture in regard to movement of goods.

The second communication of the Association deals with the question of necessity for increasing the permissible laden weight of goods vehicles. Various factors have tended to increase the cost of transport by road lately. Petrol rationing and congestion and shortage in the alternative means of transport have added to the difficulties of the public. At such a time it is of utmost importance that the best use is made of the available means of transport. While my Committee do not wish the vehicles to be overloaded, it is necessary to

examine how far, consistent with requirements of safety, the restrictions in regard to the load can be relaxed.

My Committee generally support the case submitted by the Association in the above two communications, and request that the Government of Bombay will be pleased to give the same their favourable consideration.

APPENDIX 34

Provision of Funds for Traffic Amenities.

Letter No. 399, dated 15th February 1941, from Chamber to the Secretary, Home Department, Government of Bombay.

The attention of the Committee of this Chamber has been drawn to the decision of the Government of Bombay with regard to the question of provision of funds for traffic amenities in the City. Government are aware that this question was raised so far back as 1933 by the then representative of this Chamber on the Traffic Advisory Committee.

The recent developments with regard to roads have necessitated attention being concentrated not only upon mere construction and maintenance of roads but also upon such traffic amenities as pedestrian refuges, pedestrian crossing lines, Belisha beacons, traffic island including umbrellas, car parks, etc. In view of the importance of all these amenities to the public in general, it is but fair and proper that Government should set apart a fairly good amount towards this object. My Committee, therefore, were very glad to know that Government through their letter dated 15th September, 1939, No. 7488/3-E, addressed to the Traffic Committee, stated that they were considering the question of providing Rs. 1,00,000 on that account during the year 1938/39. Unfortunately, Government ultimately did not favour, on account of financial reasons, setting apart this amount for traffic amenities. My Committee hence beg to write to you requesting Government to be pleased to reconsider the whole question and to set apart a fairly good amount, say, Rs. 1 lakh for this very important object.

The whole angle of vision with regard to roads has now changed in all civilised countries, and there is no reason why it should not be changed with regard to this country also. The Government of India and the Provincial Governments have been getting revenue from motor taxation but have not been giving adequate return by way of traffic amenities. A statement was placed before the Traffic Advisory Committee, from which it appears that of receipts under the Indian Motor Vehicles Act, the Government of Bombay have been getting the following taxes :—

	Provincial Annual Revenue Rs. Lakhs
Receipts under the Indian Motor Vehicles Act	4.08
Receipts under the Provincial Motor Vehicles Taxation Act	41.54
Petrol Sales Tax	11.00
Total Provincial Collection	56.62
Bombay's share of the Central Fund	27.93

While my Committee cannot deny that the Government of Bombay have got their responsibilities as against this revenue, the responsibility of Government with regard to the City is very great. Bombay is the chief city of the Province and her trade and industries occupy the foremost place. While Government, as above-mentioned get from the Motor Taxation a fairly good revenue, they get also from different other sources indirectly revenue, a portion of which should be at least devoted to road amenities. Under the circumstances, my Committee beg to request Government to be pleased to reconsider their decision and to allot a sum of Rs. 1 lakh for the purpose of traffic amenities.

Letter No. 7448|3-II-D., dated 19th February 1941, from the Secretary, Home Department, Government of Bombay, to Chamber.

With reference to your letter, No. 639, dated the 15th February 1941, I am directed to state that Government has

provided a sum of Rs. 25,000 during the next financial year, out of the Provincial Roads Fund, for the traffic control requirements of Bombay City. The provision could not be larger for the reason that expenditure from the Fund is at present being concentrated on completing the Provincial Trunk Roads.

APPENDIX 35

Provincial Transport Board.

Letter No. 2456, dated 18th September 1941, from Chamber to the Secretary, Home Department, Government of Bombay.

The attention of the Committee of this Chamber has been drawn to a recommendation made by the Transport Advisory Council at its Fifth Session held in Simla recently to the effect that Provincial Governments should consider the establishment of Boards of Transport for the purpose of surveying existing facilities for transport whether by rail, road or water and considering how best the demands made by Government and the public on transport could be met. Such Boards, it was recommended, should act in co-operation with representative commercial organisations. For sometime past, specially since the war, there have been serious complaints regarding congestion on the Railways, shortage of Railway wagons, etc. The transport problem has become one of the acute problems of the day and after several conferences between different Chambers of Commerce and the Government and the Railway Officials a special officer was, so far as my Committee are aware, deputed for the purpose. My Committee had an interview with that Special Officer. Since then they do not know whether a report has been submitted or not.

My Committee are of opinion that a Transport Board should be established by the Government of Bombay. This will remove many difficulties in the way of business and will also facilitate war efforts by introducing co-ordination between various transport agencies.

II.—FINANCE, TARIFF & TAXATION

APPENDIX 36

Budget of the Government of India, 1941-42.

Telegram, dated 3rd March 1941, from Chamber to Finance Department, Government of India, Delhi.

" As the Finance Member has sought to justify his Budget proposals mainly to cover additional deficit arising out of the increased expenditure on defence, the Committee of the Indian Merchants' Chamber would like to point out a just ground for dissatisfaction that the defence of India is not conducted at the hands of an Indian Minister responsible to elected representatives of the people. Even the tentative proposals, unsatisfactory from the public point of view, for the establishment of the War Advisory Council in India have been dropped. The result is that various defence measures have been adopted and the direct defence expenditure of India has gone up from Rs. 45 crores in 1938-39 to that proposed in 1941-42, viz. Rs. 84 crores. This extraordinary increase is sought to be justified on the plea that the allocation between India and England of defence expenditure is taking place on a fair basis. Such an assumption is altogether questionable as apart from the original basis of the Chatfield Report having been very harsh and burdensome for India, it is evident that the financial cost of numerous measures subsequently taken is sought to be transferred to India. This is done without any popular scrutiny or indeed any association of Indians in the task of defence, and it is reasonable to suggest that much of this cost for many kinds of measures adopted since the war should be borne by the United Kingdom. The reluctance of the people to bear these burdens arises also from the disappointment at the failure of Government to take adequate steps to substitute Indian officers in all the three parts of the defence machinery,

viz. the military (including artillery), naval and air forces. On the contrary, Government have notified that, as a sufficient number of officers cannot be supplied by the United Kingdom, recruitment of such officers would take place in the Colonies, implying that any Whiteman from any of the British Colonies and Possessions would have a preference to the rank of an officer in the Indian army over the best hand-picked Indians, who may be available.

The Committee would like to challenge the statement of the Finance Member that the taxable capacity of the people of India has increased on account of the war. For the bulk of the people, not merely in rural districts but in urban areas, the sources of income have diminished or remained the same, while the cost of living and expenditure of a certain type has gone up. In increased railway charges and postal charges, there is a direct burden to which it is now sought to add through increased duty on matches. People have to bear extra burdens imposed since the beginning of the war aggregating Rs. 21.55 crores in a full year, viz. 850 lakhs Excess Profits Tax ; 175 lakhs increase in sugar Excise ; 140 lakhs increase in duty on motor spirit ; 100 lakhs Post & Telegraph surcharge ; 190 lakhs surcharge on Income-tax and Super-tax ; 50 lakhs War Risk Insurance ; 650 lakhs Railway surcharge. To this it is sought to be added by increases and new taxes announced in the Budget, an additional burden of Rs. 661 lakhs, taking the total tax burden on account of the war to over Rs. 28 crores for the coming financial year alone. Besides, increased taxation has a way of continuing after the original purpose, for which it was imposed, has long been forgotten, and in any case there are too many recurring items of expenditure to get the people reconciled that the extra burdens are only for the time being. That the economic condition of the country is weak is evident by the fact that Government themselves are searching for measures, which can enable the people to tide over the loss of European markets and the surplus stocks as well as the disastrous effect of low prices of staple commodities. The justification for extra taxation on the

ground that the taxable capacity has increased on account of the war, is altogether pointless.

Regarding the taxation proposals, the Committee are strongly opposed to the increase in the rate of Excess Profits Tax and the surcharges on Income-tax and Super-tax. These levies will prove to be a serious handicap in the way of expansion of industries. The increase of surcharges on income-tax and super-tax puts an unequal burden in so far as it penalises a large number of income-tax payers with incomes that are fixed. In the lower ranges of income this will have the effect of not merely preventing savings and of discouraging insurance and provision for old age, but also in bringing down the standard of living. The doubling of the Excise Duty on matches will mean a tax on the poor, perhaps of an amount much larger than the duty. It is regrettable that Government have not upto now taken any measures for safeguarding the public against any disproportionate increase in prices of matches by shop-keepers, big or small. Matches are produced in India practically under monopolistic conditions and it is the duty of Government to see whether the producing company is not getting more money from the people that it is rightly entitled to.

Coming to the duty on artificial silk yarn, the Committee point out that several new weaving units have been put up owing to the impetus given by the existing margin between the duty on artificial silk yarn and imported artificial silk piecegoods. Government will have, therefore, to watch the conditions of this weaving industry and if they find that as a result of the increased duty on artificial silk yarn its condition is getting worse, then to protect Indian capital and labour engaged in this trade, Government should take steps even to the extent of prohibiting all imports of artificial silk piecegoods. Committee reiterate the case for the allowance of drawback of import duty paid on artificial silk yarn used in Indian piecegoods exported."

APPENDIX 37

The Railway Budget, 1941-42.

Statement, dated 21st February 1941, from Chamber.

"The turn of events, which has brought the Railways to a seemingly abnormal level of prosperity, will be viewed by the public in this country with mingled feelings. While Government may naturally congratulate themselves on the huge, almost unprecedented surplus, which the Railway Revenue has shown, the Committee of the Indian Merchants' Chamber regret they cannot share in these congratulations. They are, of course, glad that the Railway Revenue has shown a surplus and that this will take away all necessity for any increase in indirect taxation as has been the custom recently. At the same time, it must be said that this surplus has been due to repeated increases in rates and fares, even when there was no necessity for such an increase. It may be recalled that the rates and fares over the Indian Railways have been increased time after time. Thus, during the last decade, there were three almost general increases ; the first in the year 1932, the second in the year 1936 and third during last year. It is axiomatic that the charges for essential public utility services should be so adjusted that the yield is no more and no less than what is required for maintaining the services in an efficient and, at the same time, financially solvent manner. Public utility undertakings are not meant to be used as sources of profit-earning. It is pertinent to recall that the late Sir Basil Blackett, the then Finance Member, enunciated the following principle in the year 1924 at the time of the Separation Convention :

> "I begin from the principle that taxation on communication is a bad taxation. It is a taxation which falls both on the consumers and the producers."

Judged from this point of view, however, the fact that the working of the Railways for the year yielded an abnormal surplus of over Rs. 14 crores, is a sufficient condemnation of

the administrative policy behind such results and of the rates structure which has brought about such a consummation. The Committee of the Chamber cannot help saying that this abnormal surplus represents what has been taken away specially from the agriculturists, who can least afford to pay this sort of indirect taxation.

It is equally axiomatic that in public utility undertakings, the proprietors should share their increased prosperity with the consumers. The obligation should be deemed to be no less in the case of Railways, just because they are owned by the State. It is, therefore, extremely disappointing that even with such a comfortably large surplus position, the Railway Member could not have thought of any relief to the users. The least that could have been done was to remove the surcharge of 12½% on Goods Tariff and 6¼% on passenger fares imposed last year. Not only is this not done, but the Hon'ble Member for Railways is actually considering whether the rebates designed to encourage the export of coal and wheat are still justified, as also the question of increasing suburban season ticket fares. It is highly unfair that this sword of Damocles should still hang over our heads, though there is such a large surplus. There is another statement in the speech of the Hon'ble Member, against which the Committee strongly protest. He has observed that the maintenance of the exemption on food grains must depend on the demands made on Government for the remuneration of staff. Surely, this pitting of the freights and rates against wages is neither fair nor reasonable.

The Railway Member refers to the decision of Government to continue the rebate of 5% on coal surcharge during the slack season, viz. April to October, or rather not to levy the increased special surcharge during that period. It may be pointed out, in reply, that this surcharge operates as a penalty not only against consumers who, for various reasons, are not able to stock their full requirements of coal by the end of the slack season but also as a handicap against regular and normal working of the collieries during that period.

A general claim is made that the difficulties connected with the supply of wagons have been satisfactorily met. This is not borne out by the experience of the public and the commercial community. Complaints about shortage of wagons and consequent difficulties in the transport of commodities with the resultant dislocation in the working of factories etc., are insistent. The problem of wagon supply should therefore be tackled from a long-range view and it is necessary that steps should be taken to ensure that during periods of brisk trade activities in future the Railways are not caught napping in the matter of meeting the requisitions for wagons.

It has often been complained by the Indian public that there was a general tendency on the part of the authorities to underestimate revenue and then present increased and fresh demands, with a view to balance the position. The figures of the Railway Budget for the last two years show as to how completely justified this impression is. The Railway Member last year underestimated the revenues by over six crores, and thereby secured sanction for increasing rates and fares to the tune of over 5½ crores. In the light of the results now available, the increase was thoroughly unjustified and in fairness to the public of this country, Government should discontinue the surcharges forthwith. Even with such a surplus, the Railway Member has provided only a paltry sum of Rs. 9,69,000 for the provision of amenities for passengers during the budget year. Complaints about lack of adequate convenience and facilities for passengers on the Indian Railway systems have been made over a period of years and it is but reasonable to expect that when financial results are particularly happy more attention should be paid to the redress of such grievances.

The conclusion, which the Railway Member tries to draw that the increased Railway Revenue, particularly in passenger earning, is an index of the returning prosperity among the masses, is not borne out by the realities of the situation. The agriculturists in the country are again passing through hard times. With the closure of the Continental markets and the constriction in the demand for our staple commodities, prices

have slumped and reports about difficult conditions through which the cultivators are passing are persistent. As a matter of fact, Government themselves are at present actively examining the question of ways and means for the disposal of surplus commodities of the country. Reports about the plight of cotton growers particularly in the Punjab, of the groundnut growers in the South as a result of the falling off in the demand, and from areas connected with the production of many of our cash crops, are distressing. It may be pointed out that if the incidence of freight on these commodities from the producing centres to the markets is substantially reduced, to that extent there would be an alleviation in the plight, as besides helping the movements of the commodities, the price paid to the cultivators will also be higher.

The loss of over Rs. 1 crore and 40 lakhs, on account of the dismantling of certain railway lines as a war measure should be made up by the Imperial Government, as otherwise it would be looked upon in this country as an indirect war contribution by a book-adjustment of a questionable character. It is very obvious that, with the comfortable revenue position, there would have been no thought of closing or dismantling any section just because the section by itself was not self-supporting ; the closure, however, was dictated mainly and solely by considerations of war exigencies. It is, therefore, legitimate to expect the British Government to make good the capital loss to India on account of such a step ; having regard to the cost of replacements after the war, this demand for the whole loss being met by the British Exchequer should be deemed fair and modest.

While referring to the circumstances connected with the closure of certain branch lines, the Railway Member observed that "the motor transport industry should be able to carry profitably most of the traffic which these branch lines found inadequate for their maintenance." It has been the complaint that by a policy of discouraging Road traffic in the name of co-ordination of transport systems in the country, Government have imposed various restrictions, which stand in the way of

the development of the road traffic. The situation in which the Railways find themselves in not being able to cope with the requirements of traffic, particularly in the matter of goods, has its own lessons for the future in so far as their attitude towards road transport is concerned. The so-called policy of co-ordination will have to be considerably revised and in the interest of the general trade, commerce and agriculture of the country Government should relax some of the restrictions imposed on road transport and should abandon all other schemes for further restricting such traffic which are under contemplation. It will also not be out of place, at this juncture, to draw the attention of Government to the place and importance of motor transport in any emergency during periods of war. Railway stations and yards are susceptible to easy attacks by enemy and when damage is done even at a particular point, the whole system is likely to get disjointed, paralysing the service. On the other hand, motor transport can freely move through alternative routes and on occasions even along improvised roads. A re-orientation in Government's policy towards roads and motor transport is, therefore, urgently called for."

APPENDIX 38

Budget Statement of the Government of Bombay for the year 1941-42.

Letter No. 782, dated 31st March 1941, from Chamber to the Secretary, Finance Department, Government of Bombay.

The Committee of this Chamber have considered the Budget Memorandum for 1941-42 recently published by the Government of Bombay, and they have also seen the statement of His Excellency the Governor to the Press on the provincial budget made recently.

The Memorandum shows a very big surplus of Rs. 103 lakhs from the current year's revenue. This large surplus, as against the estimated surplus of only about half a lakh of

rupees, has been due, among other causes, to the improvement in Income-tax receipts, relaxations in the restriction on the sale of foreign liquor and the non-disbursement of certain amounts for objects like Education provided in the budget. With such a large reserve in hand, it would naturally be expected that the burdens of taxation on the public would be reduced. The Committee realise and appreciate that Government propose reducing the Urban Immoveable Property Tax from 10 to 8 per cent and from 5 to 4 per cent with effect from 1st April 1941. They also propose to pass on to the taxpayers the extra revenue accruing during the current year, which comes to roughly Rs. 20 lakhs by spreading it over a number of years and giving in the form of grants-in-aid to charitable trusts which have to pay the tax. The share of the next year will be about Rs. 2 lakhs. The Committee realise that Government have thus tried to meet the wishes of the people by both reduction in the tax and giving relief to charitable trusts. They have also noted that Government propose to institute a suitable Reserve to meet any unknown contingencies arising out of the war conditions. It is, of course, a question, if it would be deemed to be justifiable to institute a Reserve Fund to which all the surplus of the Government will be transferred. While, under the present circumstances which may be considered exceptional, such a Reserve Fund might be deemed to be advisable as a sort of a reservoir from which funds may be drawn to meet exceptional contingencies, the same Reserve may be perhaps misused in future. The public may be heavily taxed and no relief may be forthcoming from the burden of taxation, and yet this Reserve Fund may always be growing from which Government may at their sweet-will devote considerable amounts to any projects of their own choosing. Government may exercise over this Reserve Fund powers which may be deemed extraordinary even with regard to the Legislature whenever it again begins to function. While, therefore, the Committee have no objection to such a Reserve Fund being instituted now and even to utilising a part of it for the payment of an allowance to low-paid Government employees, to mitigate the hardship caused by the increase

in prices, they should like to emphasise that the creation of a Reserve Fund should at the earliest moment be sanctioned by the Legislature.

The Committee are not satisfied with the proposed reduction in the Property Tax of only 2 per cent and of 1 per cent for the smaller rental property. Government have estimated that the extra revenue accruing to them on account of the changes in the prohibition arrangements amounts to Rs. 24 lakhs, and the relief of 2 per cent is to be given so that it will be exactly equal to this amount. The Committee, however, consider that, looking to the large surplus Government have got, it would have been quite appropriate to reduce the Property Tax at least by 50 per cent. While the Government revenues may suffer to some extent next year on account of this reduction, the effects of such a reduction will have been felt in a healthy manner in the brightening up of the Property market, construction of more buildings, and a general toning up of trade and industries.

Another item of taxation which was levied in the year 1939 for providing finance in connection with the proposals relating to social and rural uplift was the Sales Tax on motor spirit. The financial situation which prompted or justified this measure and levy no longer exists and it is, therefore, meet and proper that Government should abolish this tax. Moreover, petrol is a highly taxed commodity and recently prices have been considerably increased due to the exigencies connected with the war. The rate of Excise Duty charged by the Central Government has also been increased. In view of all these considerations and having regard to the fact that the finances of the Provincial Government can, without any serious inconvenience, forego the revenue accruing from this tax, my Committee urge that the Sales Tax on motor spirit should be completely abolished.

While Government have provided additional grants to nation-building activities, the Committee wish that these grants had been larger, specially with regard to Education, Medicine and Roads. Government should also well examine as to why

certain amounts sanctioned for nation-building activities have not been disbursed by the Departments concerned.

The present times are such that conservatism is required with regard to the financial management. A carefully laid-down programme of reduction of taxation, utilisation of the surplus for nation-building activities, building up of a Reserve Fund to serve as a reservoir in times of emergencies, provided that this Reserve Fund is sanctioned by the Legislature whenever it begins to function, these are some of the suggestions which the Committee of this Chamber beg to put forward for the consideration of Government.

APPENDIX 39

Interview with the Hon'ble Sir Jeremy Raisman, Finance Member, Government of India.

Speech of Mr. M. C. Ghia, M.L.A., President, Indian Merchants' Chamber, at the interview with the Hon'ble Sir Jeremy Raisman, C.S.I., C.I.E., Finance Member, Government of India, on Thursday, the 17th July 1941 :

Sir Jeremy Raisman,

I have great pleasure in welcoming you today to our Committee meeting specially as it is after a long time that the Finance Member to the Government of India has been able to see us. The Commercial community has to deal mostly with the Finance, Commerce and Communications Departments of the Government of India and the Chambers of Commerce, therefore, naturally would like to keep in close touch with the Honourable Members in charge of these Departments. It is a pleasure, therefore, to our Committee to welcome these Members on their brief sojourn in this City and to have a talk with them on questions relating to trade, commerce, industries and finance.

1. New Tax Burdens in relation to Economic Conditions:

The times through which we are passing are difficult indeed and the war cloud hangs over the whole world like a veritable pall. Practically every country in the world is at present in war, some actively and some potentially and India happens to be one of the latter countries. She is actively engaged in the war operations as a part of the British Empire, she is potentially engaged, as the war has not yet come to her, though it may come to her in future. Her war time expenditure, therefore, is what is necessary immediately for sending out troops abroad, and taking steps for all the preparations required for such sending out and preparing troops for the defence, as also for manufacture of munitions and also war time stores for the eventuality of the war coming nearer home. My Committee realise that these are the different causes for a tremendous increase in the military and quasi-military expenditure of the Government of India. At the same time, their contention, which they submitted during the last Great War, and have been submitting during the present war, is that looking to the economic and political conditions of this country, India cannot bear all the heavy burden of taxation which, it is your painful duty, Sir, to propose at the time of every budget. The defence expenditure of the country has gone up from Rs. 45 crores in 1938-39 to that proposed in 1941-42, viz. Rs. 84 crores. Such an extraordinary increase is sought to be justified on the plea that the allocation between India and England of defence expenditure is taking place on a fair basis. My Committee submitted at the time of the last budget that such an assumption was altogether questionable as apart from the original basis of the Chatfield Report having been very unfair and burdensome to India, it was evident that the financial cost of numerous measures subsequently taken was sought to be transferred to this country. My Committee will be obliged if you will be kind enough to let them know what has been the expenditure on items like A. R. P., Civic Guards, etc.; also whether the whole of this expenditure is to be borne by this country or allocated between Great Britain and India. There is also the question of film propaganda ; what is the expendi-

ture thereon and what will be the share to be borne by this country ? With regard to A. R. P. and Civic Guards, there is also a further question as to what is the allocation of expenditure between the Central Government and the Provincial Governments. My Committee have noted that the responsibility of Iraq will fall upon India and would like to know if she will have to bear the burden of all this expenditure.

Unfortunately, there has been no active association of Indians in the task of defence—one of the several political questions which has come in the way of a *rapprochement* between Britain and India—and it is reasonable to suggest that much of the cost for many kinds of measures adopted since the war should be borne by the United Kingdom. People have to bear extra burdens imposed since the beginning of the war aggregating to over Rs. 28 crores in a full year. I may be allowed to say that although in the budget figures, the yield from the new taxes and burdens is estimated at about Rs. 28 crores, the actual realisations will be considerably more. The taxable capacity of the people has long since reached its culminating point and while we recognise that these are war times, surely there must be a limit beyond which it is impossible to go looking to the economic condition of the people.

While India recognises that the war may come upon her at any time, she also places before Government—and surely Government cannot be unaware of it—her extremely precarious economic situation. You, Sir, observed at the close of your speech introducing the last budget that while Government was inevitably involved in large and growing expenditure on defence, the community as a whole might be said to be enjoying a period of prosperity. There may be certain industries which may be enjoying a spell of boom due to the war, but my Committee would like to differ from you in the view that the community as a whole might be enjoying a period of prosperity. Prices of manufactured articles have risen, but prices of raw materials have not shown an equal tendency to maintain the rise. At the same time, the poor and lower

middle classes find that they have to pay much more heavily for all their requirements, however meagre they may be, than what was the case before. A country which is always on the border line of economic poverty and misery, sinks down to greater misery as soon as there is the slightest disruption in the economic machinery of the world. The Secretary of State for India recently observed that India was prosperous and that there was more revenue for the Central and Provincial Governments carrying on under democratic institutions, but that there was a great deal of active social progress going on all the time. The All-India Income-tax Report published by the Central Board of Revenue throws an illuminating light on the economic condition of India. According to this official report there are in this country only 2,85,940 assessees with an income of Rs. 2,000 or £150 per annum and over. On the basis of a population of 300 millions in British India this figure works on at one-tenth of one per cent of the population. There cannot be also any appreciable number of agriculturists with an income of Rs. 2,000 and over. Sir James Grigg is reported to have said that the national income of India is Rs. 1,600 crores per annum. If this official figure is divided by 300 millions, the population of British India, it works out at Rs. 53-5-4 per unit of population per annum. If a rough figure of Rs. 8-5-4 is deducted for Imperial, Provincial and local taxation, the balance works out at Rs. 45 per unit per annum or less than Rs. 4 per month.

With regard to what you call prosperity, Sir, there are also interesting figures published by the Central Board of Revenue. The total number of rich assessees with an income of Rs. 25,000 and over in the whole of British India is so low a figure as 7,150. As against this, you may well consider the figure of 539 individual assessees with an income of £40,000 and over per annum in Great Britain. In British India with a population of 300 millions, the number of assessees with an income of Rs. 1,00,000 and over is only 436. The *per capita* income in India is roughly taken as Rs. 58 from agriculture and Rs. 12 from industries or a total of Rs. 70. The corresponding figures for the United Kingdom are approximately

Rs. 68 from agriculture and Rs. 463 from industries or a total of Rs. 531 from both. Those for the world's most prosperous country, viz. the United States of America, are Rs. 219 from agriculture and Rs. 830 from industries or a total of Rs. 1,049 from both. The capital invested in organised industrial concerns in the U. S. A. is about Rs. 1,800 *per capita* ; in the United Kingdom it is Rs. 1,600 and the corresponding amount in India is barely Rs. 25. The *per capita* income for India according to the Tax Research Foundation is Rs. 75 as against Rs. 1,296 for U. S. A., Rs. 1,203 for United Kingdom, Rs. 1,122 for Canada, Rs. 900 for Australia, Rs. 1,035 for Germany, Rs. 801 for France and Rs. 156 for Japan. These figures carry their own tale which is that India is the poorest country in the world. It cannot bear the burden which has already been levied upon it nor can it be expected to bear the burden which year after year is being added to its poor shoulders. Not only is the incidence of taxation recently imposed very heavy, but the way in which it has been imposed goes to add to the burden. It has been calculated by some of us that super-tax is levied invariably twice and thrice on the same income in a number of cases.

In this connection, it will not be out of place if I point out that on account of the present taxation policy of Government the country is drained of the resources which might have been utilised for social reconstruction. Thus when the revenue raised by the Bombay Provincial Government from the province is Rs. 12 crores and 44 lakhs, the revenue raised by the Central Government from the province from Central sources is Rs. 22 crores and 53 lakhs ; similarly while the revenue raised by the Government of Bengal is Rs. 12 crores 76 lakhs from provincial sources, the Government of India got Rs. 23 crores 79 lakhs from Central sources (for the year 1938-39). The Central taxation from the other provinces is not so very big, but with regard to Bombay and Bengal the Central taxation is very big and comes seriously in the way of any work for nation-building.

There is one particular aspect of the increased burden of taxation to which we should like to draw your particular attention, that is, the disproportionate increase in recent years in direct taxation as compared to indirect taxation. There is a growing feeling amongst the commercial and industrial community of this country that with the sharp increases in the rates of Income-tax and Super-tax and the enormous toll levied by the Excess Profits Tax, fresh enterprise is being largely discouraged with the consequence that further industrialisation which was badly needed to give a balanced economy to this country is being seriously impeded. Whilst the commercial and industrial community are entirely at one with Government that the defences of the country should be organised on an adequate and effective scale, we would like to remind Government that this objective is not likely to be achieved unless India is sufficiently industrialised to provide the necessary equipment for modern defence requirements. We would, therefore, urge upon you to bear this aspect of Government's taxation policy in view and to do everything you can to provide a growing impetus to industrial enterprise.

You will perhaps permit us to point out that short though the experience has been as to the effect of the burden of Excess Profits Tax, the so-called excess profits, after meeting the demands of E. P. T., are reduced to such negligible proportions as to leave very little margin for consolidating the position of industries so as to enable them to face the post-war depression with any degree of confidence. Government are naturally anxious that new industries should be started particularly to meet the requirements of the Defence Department. If the response so far has not been of an extensive character, it is to be attributed to the fact that, whilst Capital expenditure for such industries in terms of present-day prices for plant and equipment are on a much higher than normal basis, the balance of profits left after meeting the whole burden of direct taxation is so exiguous as to throw the entire risk of a higher capitalisation after the war on the industries themselves. We would, therefore, particularly request you to re-

consider the provisions of the E. P. T. so as to provide encouragement for the starting of new industries in the country.

Indian publicists, economists, politicians and leaders of Indian commercial opinion have been crying hoarse for the last so many years appealing to Government to put the economics of India on a sound basis. They wanted two blades of grass to grow where only one blade of grass grew. They wanted the road system to be placed on a satisfactory basis so that trade, commerce and industries and agriculture might be helped. They wanted industries to be developed including defence industries; they wanted shipping and ship-building to be developed; they wanted the man-power of India to be used in the best interests of the country and despite all these urgings practically nothing was done. These are big *ifs* in the history and I may be allowed to point out, Sir, that if all these had taken place, Great Britain would have found in India the strongest and the staunchest ally. India could have produced munitions and war materials; her raw materials would have been found to be sufficient for the requirements of her people and her army. Her ships would not only have taken care of her coastal and overseas trade, but would have been found useful for her defence, relieving Great Britain of any anxiety she might feel on this score, while her aeroplanes also would have been a defence air arm. However, it is no use crying over the omissions of the past. We appeal to you, Sir, that while you are considering as to how best to meet the daily increasing expenditure, you will kindly adopt this long range vision also and prepare India industrially, economically and commercially to take her rightful place in the British Empire.

2. Banking Legislation and Indigenous Bankers:

My Committee have been interested in the question of Banking Legislation and have been asking for such a legislation since the last several years. They, therefore, welcomed an enquiry which was set on foot some two years back with regard to Banking legislation by the Reserve Bank of India.

They submitted their views on the same specially emphasising the importance of the indigenous bankers and the necessity for keeping this class of persons alive as a vital and permanent asset of the country. The question was discussed before these proposals for a Banking legislation were circulated as to what should be the exact status of indigenous bankers and their position vis-a-vis the Reserve Bank of India. The Reserve Bank put forward a scheme for the purpose of a direct linking of the indigenous bankers with the Bank. The commercial bodies agreed to most of the terms but the main difficulty centred round the condition about confinement of business to banking proper. No solution was, however, found at that time and the whole scheme was left in abeyance at that stage. While the banking proposals were circulated last year, no solution was still forthcoming with regard to indigenous bankers. The Reserve Bank Board were not in favour of making any provision for private bankers in the Bill. They only suggested that the definition of banking might be so worded that if at a later stage practical proposals emerged it would be a simple matter for the legislature to fit them into this measure. My Committee thought that this was merely evading the issue and that it was high time for Government themselves to consider proposals and measures for recognising indigenous shroffs and bankers and include the necessary provisions in the proposed Bank Act which would link them with the banking system of the country. You will kindly let us know the stage at which the proposals for Banking reforms are at present.

3. Increased Re-discount Facilities

While talking of the Reserve Bank of India and the indigenous bankers, my Committee may be allowed to point out the difficulties which were experienced by merchants in the matter of credit facilities when commercial banks which had made advances on agricultural stocks began to restraint such facilities. At that time, my Committee addressed your Department emphasising the necessity that the Reserve Bank should afford to the banks greater re-discount facilities in order that

they might be persuaded to desist from restricting credit facilities. If the scheduled banks are assured that they can look to the Reserve Bank for necessary advances against their loans to merchants and exporters on stocks of commodities they will be freed from any undue nervousness regarding liquidity of their loans already given to merchants. If there are any technical difficulties in connection with the interpretation of Section 11 of the Reserve Bank of India Act under which the bank is authorised to re-discount promissory notes etc., such difficulties may well be removed. Under Section 17(4)(*d*) of the Act, the Reserve Bank is authorised to make loans and advances to scheduled banks on the security of promissory notes of such banks or of a Provincial Co-operative Bank supported by documents of title to goods which have been transferred, assigned or pledged to such banks as security for cash credit or overdraft granted for *bona fide* commercial transactions or for the purpose of financing agricultural operations or for the marketing of crops. In short, the Reserve Bank requires that documents of title to goods should have been transferred, assigned or pledged to the bank and not the goods themselves. My Committee consider that advances on the actual pledges of goods should be deemed as better security and there should be no technical insistence for substituting a system of advances on documents of title. The construction put by the bank as to what constitutes eligible paper for purposes of re-discount or accommodation under the different sub-sections of the Act has thus stood in the way of trade and scheduled and co-operative banks getting adequate facilities from the Reserve Bank. My Committee consider that this has its adverse reaction on agriculturists also and submit that the matter should be examined at an early date and such action should be taken as would have the effect of expanding the credit facilities available to the mercantile community.

4. Refund of Import Duty on Art Silk Yarn used in Art Silk Piecegoods exported

You are, no doubt, aware that recently there has sprung up in the country an industry for weaving artificial silk fabrics.

This industry is trying to secure export markets and in fact in recent years exports of artificial silk piecegoods from India to other countries are showing an increase. The expansion of this new avenue of trade is handicapped by the heavy incidence of the duties payable firstly on the imported yarn in India and secondly on the finished product by way of import duty levied by the Government of the country to which it is exported. The result is that the ultimate cost of such goods is considerably increased and the Indian products suffer in their competitive capacity vis-a-vis the products of other countries in the foreign markets.

Section 43A of the Sea Customs Act provides for the grant of drawback of duty on goods taken into use between importation and re-exportation. We suggest that under this provision arrangements be made for the refund of the import duty paid in respect of art silk yarn used in the manufacture of fabrics exported from India. We are advised that in the United Kingdom there is provision for relief by way of drawback on artificial silk yarn in similar circumstances. We have already addressed Government in the matter and we urge that you will be good enough to look into this question and to grant the relief at an early date.

5. Income-tax Administration

Before I conclude, may I refer for one moment to the growing feeling of dissatisfaction, if not of resentment, with the manner in which the Income-tax Law has been administered in this country ? I am sure you must have received complaints from numerous quarters in this regard. I have no hesitation in saying, and my information is based on reports made to us by a number of our members that the assessees are being subjected to undue harassment and inconvenience by the Income-tax Department. Very responsible and moderate minded people have come to believe that the Income-tax Office has been rapidly developing into an Inquisitorial Court. Assessments have been delayed in some cases for years and I am told that a large number of assessees in Bombay have not

yet had their assessments finally made for some years past. I am prepared to concede that there may be some cases of deliberate evasion but on behalf of the commercial and industrial community, I am bound to convey to you our most emphatic protest against the manner in which Income-tax administration is being carried on. Undue delays in assessment not only result in harassment to the assessees but also cause loss to the public Treasury. The demands which are also being made on the time of the business people in answering the requisitions of the Income-tax Office have been causing serious exasperation and I feel that unless you implement your assurances given some time back in the Legislative Assembly that the Income-tax Department would be administered in a tolerant and sympathetic spirit, Government are likely to lose the goodwill of a considerable body of taxpayers who contribute so largely to the revenues of the Central Government.

Summary of replies given by the Hon'ble Sir Jeremy Raisman, C.S.I., C.I.E., Finance Member of the Government of India at the interview with the Committee of the Chamber on 17th July 1941 :

Sir Jeremy Raisman began by thanking the President for his kind welcome. He went on to point out that he had only arrived in Bombay the previous afternoon and as the matters, which were to be raised in the course of the President's speech, had not been previously brought to his notice, it had not been possible for him to prepare a considered reply. He would, therefore, deal to the best of his ability, in an informal and impromptu way with the points raised.

The Finance Member went on to point out that the procedure adopted by the Committee on this occasion was not satisfactory from his point of view. He understood that the President's speech had already been released to the press and would appear in full in the papers. On the other hand, since he himself had not been given sufficient time to prepare a speech in reply, his answers to the points raised could not

possibly appear in the press in a satisfactory form at the same time. He considered that this was a highly unsuitable procedure and pointed out that the Committee, while expressing its gratification that the Finance Member had accepted the invitation to come and meet them, had not taken steps to ensure that the proceedings of such meetings could be properly announced. He emphasised that if the Committee desired to enter on a period of more intimate and fruitful co-operation with Government, this defect should be rectified.

Dealing with the question of Defence expenditure, Sir Jeremy Raisman reminded the Committee of the full explanations which he had given in the Legislature of the nature of the financial arrangements between His Majesty's Government and the Government of India relating to the liability for the cost of Defence measures. He suggested that a careful study of these pronouncements would provide the answer to the questions which the Committee had put to him. It would, for instance, become clear that the cost of military operations in Iraq was a liability of His Majesty's Government. On the other hand, it would be obvious that no part of the expenditure incurred inside India on such matters as A. R. P., Civic Guards, War Publicity etc., could possibly be charged on the British taxpayer. The cost of all measures taken within India's boundaries for the local defence of India would fall upon India. In addition, in accordance with the decision taken on the recommendations of the Chatfield Committee, India had now accepted a share of the cost of measures taken outside India to prevent the danger of war from coming to her frontiers. This involved a share of the cost of Defence measures taken in territories reaching as far as Egypt on the west and Singapore on the east. India's share, apart from a single payment of one crore of rupees made in a previous financial year, was limited to the normal maintenance costs of what are known as the external defence troops constituting roughly one-tenth of the strength of the previous standing army of India. India was at present not liable for the actual costs incurred when these troops became involved in military operations but only for their normal peace-time maintenance

costs. Sir Jeremy pointed out that in view of the colossal burden which the British taxpayer was already bearing in the prosecution of a war for the defence of civilization against the aggressor, it would be quite out of the question to ask that he should also be requested to shoulder the burden of such matters as A. R. P. or Civic Guards in India. It would, in his opinion, be undesirable to put forward any such claim on behalf of India.

As regards the limit to which India's defence liabilities might amount, the Finance Member regretted that he was unable to give any assurance on this point. As more and more of the highly expensive equipment needed for the defence of India against modern armies became available, it was inevitable that the cost of India's local defence must increase. He was fully aware of India's inability to shoulder excessively heavy burdens but he said that it was impossible to take up the position that an individual or a nation could not afford to preserve itself from destruction.

Sir Jeremy then touched upon the question of India's alleged prosperity during the war and the burden of taxation. He said that prosperity was a relative term and even a poor man was better off at some times than at others. He did not claim that the picture of Indian economic conditions during the war was uniformly satisfactory. On the contrary, he was fully aware that it had its dark patches as well as its brighter colours. At the same time, the relative prosperity of a country from time to time could only be judged by certain broad indices, and judging by these it was impossible to deny that in many respects India's condition was actually better than before the war.

It had been argued that because the average income per head in India was so low, therefore, the present rates of taxation and particularly of direct taxation were excessive. The Finance Member claimed that this argument was illogical. It was true that a very large proportion of the people of this country were so poor that they could make little, if any, contribution to the cost of ordinary administration—much

less the special burdens of defence. But what was the corollary of this ? Surely, he said, it meant that the fortunate few who enjoyed a taxable income must expect to bear a heavier burden. The President had said that "the increase in direct taxation had been disproportionate to the increase in indirect taxation". Sir Jeremy indicated that in his view this was only to be expected from the very circumstances which the President had emphasised in talking about the prosperity of the country. The burden of indirect taxation fell on the masses who were numerous and very poor while the burden of direct taxation fell upon the small number of those who were relatively well off, and the burden on the latter had to be increased before any additional burden could be laid upon the masses.

Sir Jeremy denied that the effect of recent taxation had been such as to extinguish the incentive to industrial expansion. He claimed that the provisions which had been made in the Excess Profits Tax Act were such as to enable new industries to be encouraged and developed in spite of the tax and that he had pointed this out in his speeches in the Legislature.

Sir Jeremy said that the Committee complained on the one hand that Government had not done enough for industry and trade and on the other hand that taxation was excessive. He suggested that this attitude was inconsistent. Everything that Government did cost money and the Committee must make up their minds whether they wanted Government to do more and were prepared to foot the bill or whether they wished to concentrate on avoiding increases of taxation. In his view they could not have it both ways.

In reference to the banking points which had been raised, Sir Jeremy said he would not go into these now. It had been his hope that during his term of office a comprehensive piece of banking legislation would have been placed on the Statute Book but owing to the outbreak of war he had had to abandon this hope and would have to content himself with such res-

tricted and short-range measures as were necessary in the immediate situation.

On the question of refund of import duty on art silk yarn used in art silk piecegoods exported abroad, Sir Jeremy said that was a point which had been raised in the course of the discussions on the budget. His general attitude to this type of suggestion would be sympathetic because he was anxious to encourage export trade. At the same time, he could not say what the result of the examination of the matter in present circumstances would be. He would look into this when he returned to headquarters.

Dealing finally with the question of Income-tax Administration, the Finance Member regretted that the Committee should feel it necessary to address him in such strong terms on the subject. He said he had a serious responsibility in this matter for he must point out that it is within the certain knowledge of the Government that income-tax evasion had been practised on a very large scale. Whatever might be said about previous times when the level of income-tax was comparatively low, he thought as a taxpayer and not merely as the Finance Member that it was quite intolerable that people, who were making very large incomes, should not be paying their fair share of income-tax. He emphasised that it was the first duty of the Income-tax Department to ensure that the burden of the tax was laid fairly and squarely on the shoulders of every person who, under the law, was liable to make his contribution. He was very sorry that perfectly honest and straightforward members of the public should find themselves subjected to harassment, but he would ask them to bear with him in endeavouring to secure that the tax was equitably borne by all those who should pay. He said it was a most important matter and similar in many respects to the administration of Justice. It happens sometimes that innocent persons were suspected along with the guilty and although this might be a very exasperating experience, it was the duty of all citizens to assist in the administration of justice. He pointed out that unless everybody were made to pay his

fair share of taxation, the level of the tax on the rest of the community must inevitably be higher in order to yield the same amount of revenue.

In conclusion, Sir Jeremy said that the Committee had put certain matters before him and he had endeavoured to give them his view of the points raised. He trusted the Committee would not feel that he had not dealt fairly with the arguments placed before him. He was always ready and anxious to consider the point of view of the commercial public. He accepted and indeed welcomed criticism but he thought that it should be well-founded and enlightened. In the last resort, he was prepared to accept the position that his critics and he must agree to differ as to what should be the best policy in certain circumstances. Nevertheless he trusted that they could remain on terms of friendliness and mutual respect.

APPENDIX 40

Interview with Mr J. F. Sheehy, Member, Central Board of Revenue and Mr. C. W. Ayers, Excess Profits Tax Adviser to the Central Board of Revenue.

Memorandum on the points for discussion with Mr. J. F. Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue, and Mr. C. W. Ayers, C.I.E., Excess Profits Tax Adviser to the Central Board, on Tuesday, 22nd July, 1941, at 3-0 p.m. (S.T.)

1. **Taxation of Non-resident Partnership — Sec. 4A (b).**— Under this Section, a firm will be deemed to be resident in British India unless the control and management of its affairs is situated *wholly* without British India. In the case of a partnership having its entire operation and control outside British India if one of the partners happens to be resident in British India the firm will be treated as a resident firm howsoever small or nominal the control of the resident partner.

The result will be entire profits both in and outside British India will be liable to be taxed. What is more, the non-resident partners would also be deemed to have earned their income or share of the profits in British India because the source of income is deemed to be under the above provision to be situated in British India. It is not fair that non-resident partners, who have their entire income derived from sources outside British India, should be liable to tax on profits derived from sources outside British India, just because one of the partners happens to be resident in British India. In such cases the resident partner should be assessed only on his share of the profits of the partnership.

2. **Allowance of the Urban Immoveable Property Tax — Section 9.**—We have often in the past urged that liability to tax should be based on the actual net receipts in the previous year. Under the Section, as it stands at present, only such deductions as are specifically authorised are allowed to be set off. In prescribing the items allowable, the provision in the Section, has, to a certain extent, been found to be arbitrary, and all items of expenditure which are necessary or incidental to earning the income are not, as a matter of course, fully allowed. Tax paid to Local or Provincial Authority is one such item which is not being allowed. It occurs to us that so far as the Urban Immoveable Property Tax levied in Bombay is concerned the same was not perhaps mentioned specifically as an allowable deduction because at the time when the Income-tax Act was last amended there was no such levy and it could not therefore be the intention of the Legislature to exclude such a substantial item of expenditure connected with property. We suggest that early steps be taken to remove this discrepancy by Departmental Instructions or, if necessary, by an amendment of the Section.

3. **Best Judgment assessment — no double penalty for the same offence — Section 23(4).**—When the Income Tax Officer makes an assessment to the best of his judgment under section 23(4) on failure to make a return or revised return of income or to comply with all the terms of a notice issued

under section 22(4) in the case of a firm, he may refuse to register it or cancel previous registration. Best judgment assessment itself is in the nature of a penalty, as the income is deemed at a high figure. Refusal or cancellation of registration involves sufficient additional punishment inasmuch as the advantage of registration are lost and in case the firm had made losses in the previous years the same would also not be allowed to be carried forward. Not being satisfied with the punishment meted out by cancellation of registration, it is found that on occasions penalty proceedings under section 28 are resorted to. It is not fair that for the same offence there should be inflicted a double penalty. Under Section 28(4) it is provided that no prosecution for an offence shall be instituted in respect of the same facts on which a penalty has been imposed. Similarly, where under Section 23(4) registration has been refused or cancelled, no penalty proceedings under Section 28 should be permissible in respect of the same offence.

4. **Carry Forward of losses and of Depreciation — Section 24(2) and 10(2)(vi).**—Under Section 10(2), Depreciation allowable is permitted to be carried forward and claimed from future profits. There is no time limit for claiming arrears of depreciation. Under Section 24(2) business losses are allowed to be carried forward, but there is a time limit prescribed for the same. Where an assessee has both losses and arrears of depreciation to be set off against the current year's profits, the question arises as to which loss he is entitled to carry forward in priority to the other. It appears that the Income Tax Officer sets off the depreciation allowance first and the business losses afterwards. When depreciation and losses are allowed to be carried forward, the former for an indefinite period and the latter for a limited period, equity naturally demands that that which is allowed to be carried forward indefinitely should be set off after that which is allowed for a limited period. Under the English Act, there is a specific provision that on such occasions the assessee is allowed the option of carrying forward the loss which is most beneficial to him. We suggest that a similar practice should be introduced here also.

5. **Carry forward of losses by a business subsequently converted into a limited liability company — Section 24(2).**— Under Proviso 3 to Section 24(2) of the Act, carry forward of losses is available only if the business is continued and it is available to the same persons who carried on the business in the past so that in case of discontinuance, change or succession this privilege will be lost. In England, however, in the case of a business which is subsequently converted into a limited company the former proprietors are entitled to relief for losses incurred prior to the conversion if the members or the shareholders of the Company are substantially the same persons as before conversion. We suggest that a similar provision should be made here also.

6. **Summoning of Witnesses — Calling for information — Section 37.**—The provisions of Section 37 of the Act empower an Income-tax Officer to enforce attendance of any person as well as to compel production of documents in connection with an assessment. This power is vested in the Income-tax Officer with a view to enable him to investigate and ascertain information from parties other than the assessees to determine the correct income, profits and gains under the Act in case of an assessee when he cannot produce any evidence in support of his return of income or refuses to co-operate with the department in arriving at the proper assessment. The practice, however, that is in vogue in the Central Section, Bombay, is to summon Banks and ask them to send true copies of their constituents accounts as well as to furnish detailed information regarding the debits and credits appearing in the Bank account together with the names of the drawers and drawees of the cheques etc., inspite of the fact that an assessee produces his Bank Pass Books and furnishes other information as regards the debits and credits appearing therein. It is not understood why the Income-tax Officer carries his enquiries to such an extent so as to prejudice the relations between a Banker and his customer. It is but natural that the moment the summons is received by the Manager of the Bank under Section 37 of the Act he suspects

some trouble between his customer and the Income-tax Department and the disclosure of the account and other information behind the back of the assessee makes also Section 54 a dead letter to a certain extent. In judicial proceedings, the parties affected have a right to be present at the time of the examination of witnesses ; similarly, when witnesses are summoned under Section 37, the evidence should be taken in the presence of the assessee and the counsel or expert Advisor of the assessee or the witness summoned should also be allowed to be present. It has been the opinion of the Board that in case the assessee has lost his Bank Pass Book or refuses to produce it, the assessee may be called upon to obtain a true copy of his account from his Banker. The practice obtaining at present is not in consonance with that view. The machinery provided under Section 37 for eliciting information is to be very rarely utilised but the state of affairs existing at present is entirely against the spirit of the provisions of the Act.

7. **Time Limit for making reference to High Court—Section 66.**—If an assessee wishes to make an application for reference under Section 66, he must do so strictly within a period of 60 days. There is no provision to condone this limit even on occasions of sufficient causes, say, sickness or absence from headquarters of the assessee. There is a time limit of 60 days also within which the Commissioner or the Tribunal shall draw up a case for submission to the Court. We are advised that a large number of reference cases are pending in Bombay and that this rule regarding limitation is not being observed by the Department. Such delay involves unnecessary worry to the assessee and loss of interest. Moreover, such mandatory provisions should be as strictly observed by the Department as they are enforced on the assessees.

8. **Administration.**—The delay in completion of the assessment and revision petitions was brought to the notice of the Board last year but the position has not improved. Not only assessments are kept pending for years together but the Appellate petitions as well as the old Revision Petitions are still not disposed of and the assessees are left without any

protection though the tax in dispute is collected by threat of penalty. This is perhaps due to the defective administration of the Act after the amendment in 1939. We are given to understand that the Director of Inspection issues instructions through the Inspecting Assistant Commissioner with regard to assessments and directs the Income-tax Officers to forward the assessment records for his perusal before the assessment orders are finally passed. If the practice is as reported, the rights of the assessee in appeals are rendered nugatory as any appeal against an assessment made according to instruction, or prior knowledge of the Director of Inspection or the Inspecting Assistant Commissioner will not result in relief to the assessee. There will be no alternative for an assessee but to seek redress of his grievances under Section 66. In case of small assessees the fees for approaching a Tribunal and the cost of proceedings under Section 66 are so very prohibitive that they have to rest content with the order of an Appellate Assistant Commissioner. This state-of-affairs naturally contribute largely towards the arrears of demand and Government had to issue appeals to the taxpayer recently to pay their amount of tax in advance as the assessments could not be completed.

As the Spokesmen of the Commercial Community, we deem it our duty to draw your attention to the general feeling of dissatisfaction against the treatment meted out to the assessees by the department and to urge that the department should be administered in a tolerant and sympathetic spirit. The assessees generally are men of good standing and respectability and they are entitled to courteous consideration at the hands of the department.

9. **Calculation of Depreciation — Rule 2, Schedule I: (E. P. T.).**—This rule lays down that the profits of a business during the standard period shall be computed on the same basis and in the same manner as the profits of that business are computed for the chargeable accounting period, notwithstanding any change in the provisions of the law between the two periods. In particular, depreciation is to be calculated

on the written-down value basis and not on the cost basis. When the Select Committee introduced this "like-for-like" provision, it was done with a view to be fair to the assessee. It is, however, observed that in so far as depreciation is concerned, the rule is in actual operation working to the detriment of the assessee. Under the written-down value the amount of depreciation is reduced year after year. The amount of calculated depreciation deducted from gross profits in the standard period in order to arrive at the standard profits will therefore be much more than the amount of depreciation allowed in the chargeable accounting period. The result is that even though the gross profits made by an assessee in the chargeable accounting period and in the standard period be the same, he will be liable to pay Excess Profits Tax, on account of the amount of depreciation in the chargeable accounting period being less than in the standard period. The rule thus operates in a manner which is not fair to the assessee and which, we believe, was not the intention of the Legislature. We suggest that the position may be rectified by laying down that subject adjustments necessary for extensions and obsolescence after the standard period, the same amount of depreciation should be taken into account both in the standard and chargeable accounting periods for purposes of arriving at the assessable profits. Such a course will be in consonance with the principle of comparing "like to like", accepted by the Honourable The Finance Member, at the time of the Bill.

10. **Borrowed Capital—Rule 5, Schedule I.**—This Rule was inserted to provide relief in cases where business had been expanded on capital borrowed from a bank carrying *bona fide* banking business or on debentures by securing that interest on the loan should be disallowed and that the loan itself should be treated as addition to the capital.

Doubts were raised as to whether by the use of the term "bank carrying *bona fide* banking business" loans from indigenous bankers and shroffs were intended to be covered. In a recent Press Note issued by the Board, it was explained that pro-

vided that the business was a *bona fide* banking business, Rule 5 would be applicable, whatever the status of the person carrying it and that the benefit of the Rule was not restricted to banking companies as such. On further elucidation, it has however been laid down that a person would be deemed to be carrying *bona fide* banking business only if he received, deposits, makes loans to his customers and provides remittance facilities. These restrictions have not been based on the actual realities of the situation. Indigenous bankers and shroffs, while they finance trade and industries in a large measure, do not generally depend for their working capital on deposits received from customers. Naturally, therefore, loans obtained from such bankers and shroffs may, in a majority of cases, under one or the other of the above restrictive provisions, be deemed to be not borrowed capital within the meaning of the Rule and the assessee will not be entitled to relief contemplated in the provisions regarding allowance of borrowed capital. The question also arises as to who will finally decide as to whether a lender is a *bona fide* banker or not.

The provision moreover does not go far enough and is unnecessarily restrictive. The distinction sought to be drawn between capital borrowed from a bank and capital raised by means of deposits or loan from firms and private individuals is not justified and goes counter to the widely adopted practice of raising finance in this country. We wish, therefore, to suggest that all types of borrowed capital should be recognised for purpose of the relief contemplated in this Rule and the Rule be amended accordingly and that at all events, under the provision as it stands, capital borrowed from indigenous bankers and shroffs should be allowed without any further restriction or condition.

11. **Managing Agent's Remuneration — Rule 7, Schedule I.**—Under Rule 7(2)(*b*) the remuneration of any managing agent where such remuneration is included in the profits of the managing agents' business for the purpose of the Excess Profits Tax will be allowed as a deduction. Is it the intention of the provision, as worded, that the managing agent should

have paid by way of Excess Profits Tax the same amount of tax as would have been payable by the company if the amount were included in the accounts of the latter? We believe that the basis of the provision is that the whole amount of the remuneration will be allowed to the company even if Excess Profits Tax has been paid by the managing agent only on a part of the same, as in some cases, a managing agent is entitled to set off the amount of commission earned against the losses which may be incurred in other business.

Summary of the replies of Mr. J. F. Sheehy and Mr. C. W. Ayers (Central Board of Revenue) at the interview with the Income-tax Committee of the Chamber on 22nd July 1941.

1. **Taxation of Non-Resident Partnership — Section 4A(b).**—Mr. Sheehy observed that instructions had already been issued to the Department that in such cases when the proprietors of a firm were non-resident and the business was carried on by managers in British India no attempt should be made to treat the firm as resident unless there was evidence that the proprietors had divested themselves of control and vested it in the managers by a Power of Attorney and that in cases where a sleeping partner in British India merely kept himself in touch with the business carried on wholly abroad by other partners, the firm should not be treated as Resident. The instructions in question, he added, fully covered the point raised by the Committee.

(A copy of the instructions has been supplied to the Chamber).

2. **Allowance of the Urban Immoveable Property Tax — Section 9.**—In reply Mr. Sheehy pointed out that as a matter of general principle Government could not allow any tax as deduction for purposes of calculating income liable to tax and that it was not possible to accept the suggestion of the Committee. In reply to a suggestion that as the question of admissibility of the Property Tax as a deduction was the subject matter of the proceedings in a Court of Law, Government

should hold over recovery of tax till the point was decided. Mr. Sheehy said that it was not possible to do so.

3. **Best Judgment assessment — no double penalty for the same offence — Section 23(4).**—He pointed out that instructions had been issued by the Commissioner of Income-tax Bombay, to the effect that summary assessment under Section 23(4) should not be deemed by the officers as in the nature of a penalty and that as such they should not attempt to overestimate income. Regarding the suggestion that in the case of such summary assessment the other penalties provided by the Act, viz. cancellation of registration and penalty proceedings under Section 28 should not be imposed, he pointed out that the Act and the Legislature had vested the discretion of inflicting these penalties in the Income-tax Officers and it would not be proper for the Central Board of Revenue to issue instructions in any way limiting this discretion. It was, however, expected that the Income-tax Officers would exercise their discretion in a judicious manner and that it was not the intention to make vexatious use of these penal provisions.

4. **Carry forward of losses and of Depreciation — Section 24(2) and 10(2)(vi).**—The Departmental interpretation of the provisions of the Act, he observed, was that the allowance in respect of depreciation had to be set off first. He, however, promised to examine the point. In any case, he felt that if the change suggested by the Committee was agreed to, it would require an amendment of the Act.

5. **Carry forward of losses by a business subsequently converted into a limited liability company — Section 24(2).**—He felt that the cases of the kind referred to by the Committee would be rare and he was not sure whether the need for such a change had really been felt. At all events, it would require an amendment of the Act. Although he was not personally convinced of the case, he would look into the matter.

6. **Summoning of witnesses — calling for information — Sec. 37.**—He observed that banks were never called upon to furnish information except in cases where assessees themselves

failed to furnish the information or to obtain a certified extract from the bank. In regard to proceedings under Section 37 at the time of examining witnesses called, assessees and their representatives were invariably allowed to be present; it was only in cases where an Income-tax Officer made enquiries under Section 37 or Section 23A on his own motion that he did not make such enquiries in the presence of an assessee. However, an opportunity was being given to the assessee of rebutting any evidence against him.

It was pointed out during the course of the discussion that banks had been asked not only to produce true copies of the accounts of a customer but to give particulars of cheques issued as also the names of the drawer and the drawee.

Mr. Sheehy promised to look into the matter if full particulars of the instances concerned were sent to him.

During the course of the discussion of this matter it was pointed out that if proceedings under Section 37 were treated as judicial proceedings, according to law an assessee would be entitled as of right to be present and to see what information the persons summoned gave against him or otherwise and that it was against all principles of justice that a witness should be examined in the absence of a person who was sought to be charged. A true interpretation of the section, it was urged, required that no witness should be examined without the presence of the assessee.

Mr. Sheehy promised to have the legal aspect of the suggestion examined.

7. **Time limit for making reference to High Court—Section 66.**—He agreed that the time limit prescribed by the Section was mandatory. He explained the practical difficulties experienced in conforming to the requirement. He, however, pointed out that there were pending only 131 petitions for reference under Section 66 and 61 petitions for revision under Section 33 and it was expected that the same would be cleared off soon.

8. **Administration.**—He acknowledged that the work in Bombay area was in arrears. It was proposed to strengthen the staff with a view to expedite the departmental work. He added that there were 258 and 167 appeals respectively, pending with the two Bombay Appellate Assistant Commissioners. From this it could be deduced that the time generally taken to dispose of appeals was about two months. Every endeavour would be made to expedite the work and to clear up the arrears.

9. **Accounts of Foreign Branches.**—In reply to a complaint that notwithstanding the assurances given in the legislature, the Income-tax Officers were insisting on the production of foreign books of accounts and were not accepting certificates of Accountants from the countries concerned, Mr. Sheehy promised to examine the same if particulars of such instances with the name of the Income-tax Officer who had insisted on the production of books were sent to him.

10. **Calculation of Depreciation — Rule 2, Schedule I (E. P. T.).**—Mr. C. W. Ayers in reply pointed out that depreciation was a reducing factor and that depreciation was higher in the early years of the life of a plant than in the latter years. In the earlier years repairs were practically nothing. If this consideration was borne in mind, the provisions of the Act in regard to allowance of depreciation would be found to be fair.

11. **Borrowed capital — Rule 5, Schedule I.**—Mr. Ayers and Mr. Sheehy recalled the discussion on this point in the legislature when the bill was under consideration and pointed out that all the considerations urged by the Committee in their memorandum and during the discussion at the meeting were before the legislature when it was definitely decided not to extend the relief to borrowed capital other than those from *bona fide* bankers. In any case, as the Act stood at present, the extension of the relief as suggested by the Committee would not be permissible. They, however, promised to place the strong views expressed by the Committee on this point before the Finance Member for his consideration.

Regarding the point about the definition of *bona fide* banking, according to the Central Board, the functions of a bank were (1) to accept money from customers on current account, (2) to make loans to its customers and (3) to provide for the transfer of money from one place to another and unless a banking business carried on each of those functions, it could not be regarded as a *bona fide* banking business for the purpose of the rule in question. Some members pointed out the practical difficulties involved if the above definition was not relaxed and it was specially urged that the condition about transfer of money would arise only when there were branches and that a banking business which was operating in one place although it was receiving deposits and was lending money would not be deemed to come within the rule because it was not providing remittance facilities.

Mr. Sheehy promised to look into this aspect of the question.

12. **Managing Agent's Remuneration — Rule 7, Schedule I.**—Mr. Ayers pointed out that Rule 7(2)(*b*) is only concerned with a managing agent who is also the Director of a director-controlled company and that the sub-rule merely provides that the managing agency remuneration of the Director-Agent shall not be disallowed as remuneration of a Director if the Agent is carrying on a business within the charge to excess profits tax. In this case it is irrelevant whether the managing agency business actually makes excess profits or not.

Letter No. 1979, dated 14th August 1941, from Chamber to Mr. Sheehy, Central Board of Revenue (D. O. Letter).

You will, no doubt, recollect that during the course of the discussion of the difficulties experienced by assessees in regard to exercise of powers under Section 37 of the Indian Income-tax Act, it was pointed out by the Members of the Committee that the Department was asking banks to send true copies of the accounts of their constituents as well as to furnish detailed information regarding the debits and credits appearing in

the bank account together with the names of drawers and drawees of the cheques, numbers of cheques and currency notes for cash credits even in cases where the assessee produced their bank pass-books and furnished other information as regards entries appearing therein. In reply, you observed that banks were never called upon to furnish information except in cases where assessees themselves failed to furnish the information or to obtain a certified extract from the bank. It was pointed out by some members during the course of the discussion that there were actual instances where banks had been asked not only to produce true copies of the accounts of a customer without reference to him but also to give particulars of cheques issued as also the names of the drawer and the drawee and numbers of cheques and currency notes for credits. You were kind enough to promise to look into the matter if particulars of such instances concerned were sent to you.

I am enclosing herewith a copy of the summons usually served on banks and the detailed information called for from them under Section 37 regarding credits appearing in the taxpayer's Bank pass-book, in a number of cases in Central Section. It is understood that this practice is being adopted in the Central Section without the assessee being informed of the same, notwithstanding the fact that he himself produces his pass-book and gives all the information asked for by the Income-tax Officers in connection therewith. It is further understood that after obtaining the information from the Bankers with whom the taxpayer has an account, the income-tax officers make enquiries of the cheques referred to in the account with other bankers enquiring again about the drawer's names. This practice prejudices the interests of the assessee concerned, as the Bankers immediately on receipt of the summons from the Income-tax Department suspect some trouble.

During the course of the discussion of this matter you will also remember that it was pointed out on behalf of the Committee that if proceedings under Section 37 were treated as judicial proceedings according to law, an assessee would be

entitled as of right to be present and to see what information the persons summoned gave against him or otherwise and that it was against all principles of justice that a witness should be examined in the absence of a person who was sought to be charged and that a true and correct interpretation of the section required that no witness should be examined without the presence of the assessee. You were good enough to promise the legal aspect of the suggestion examined. My Committee wish to urge that strict instructions should be issued that Section 37 should be invoked only in cases where the taxpayer himself is reluctant to furnish the information required by the Department and that where third parties are being summoned, the examination should be conducted only in the presence of the assessee.

Best Judgment Assessment under Section 23(4).—During the course of the discussion of this point, you had observed that the levy of penalty under Section 28 in case of an assessment under Section 23(4) was entirely a separate procedure and the Act had vested in the Income-tax Officer discretion to levy penalty as also to cancel the registration of the firm. My Committee would, in this connection, like to draw your attention to the fact that while Section 30 provides for an appeal to the Appellant Assistant Commissioner against the Income-tax Officer's order refusing registration, it does not specifically provide for an appeal against the Income-tax Officer's order for the cancellation of registration of a firm under Section 23(4). This position entails a serious hardship. Provision should at least be made for an appeal in such cases. It is also pertinent to point out that the cancellation of registration also involves the deprivation of the benefit of the provision in regard to the carry forward of previous losses under Section 24. If necessary, the Act should be amended so as to permit of the carry forward of previous losses notwithstanding cancellation of registration under the above circumstances.

My Committee request that you will be good enough to consider the points urged hereinbefore sympathetically and take such action as may be necessary to remove the hardships.

Summons under Section 37 of the Indian Income-tax Act. —In the course of discussion with the Board, the Chamber was informed in answer to the unusual procedure adopted by the Central Section, Bombay, in this connection, that no such practice existed. I am enclosing herein a copy of summons served on the Banks, and the detailed information called for from them, under Section 37, regarding credits appearing in the Taxpayer's Bank Pass Book, in a major number of cases in Central Section This practice is followed by this Section particularly without informing the taxpayer and inspite of the fact that he produces his Bank Pass Book and furnishes information that is required by the Income-tax Officer in connection therewith.

After obtaining the information from the Bankers, with whom the taxpayer has an account, the Income-tax Officer makes inquiries of the cheques referred to in the account with other Bankers, inquiring again about drawer's name, and the inquiries he does are carried to such an extent, that it has more or less become a nuisance to the Bankers who have to answer constant calls from Income-tax Office and search for their old records from 1934 onwards.

This greatly prejudices the interest of the taxpayer, as the Bankers suspect some trouble on receipt of summons from the Income-tax Office and the relations between the taxpayer and the Bankers are also strained on account of this irrelevant and inquisitorial inquiries.

Moreover, summons under Section 37 is issued to third parties with a view to obtain, behind the back of the assessee, some information of the taxpayer. It is absolutely necessary that such statements should be recorded by summoning both the taxpayer and the informant, so that justice may be done to the taxpayer and the information that the Income-tax Officer desires may be truly furnished. The Board, therefore, may be requested to issue necessary instructions to discharge the practice hereto followed by the Central Section, Bombay, i.e., to obtain information by the issue of summons as stated hereinbefore, and if the procedure followed under

Section 37 is to be considered as judicial proceedings under the provisions of Civil Procedure Code, to permit the presence of the taxpayer, as it is absolutely necessary that the taxpayer should be given the opportunity to be present at the time the statements are recorded on oath by the Income-tax Officer, in connection with their assessments, or if any information is elicited from him.

Instructions also should be issued without delay to avail of the machinery under Section 37 in every rare cases, i.e. that on default on the part of the taxpayer to furnish the information called for by the Income-tax Officer, with a view to enable him to ascertain the correct assessable income.

2. **Penalty in case of Summary Assessments under Section 23(4).**—It was urged by the Board that levy of penalty under Section 28 in case of summary assessments under Section 23(4) was entirely separate procedure and the Act authorised the Income-tax Officer to levy penalty in such cases and also cancel registration of the firm. The attention of the Board in this connection may be drawn to the fact, that, while, Section 30 provides for an appeal to the Appellate Assistant Commissioner, against the Income-tax Officer's order, refusing to register it, it does not specifically provide for an appeal against the Income-tax Officer's order for cancellation of the registration of the firm under Section 23(4), which was granted in previous years. Such an order entails great hardship on the taxpayer, who is left without relief under the Act, as there is no appeal provided for specifically under Section 30.

Further, in such cases, the taxpayer is also barred from obtaining any relief of carry forward of loss under Section 24 of the Act. Amendment of the Act, therefore, is necessary in this direction with a view to remedy the hardship.

(COPY)

No. Cent.
Office of the Income-tax Officer,
Central Government Building,
Queen's Road, BOMBAY.

From
The Income-tax Officer,
To
The Manager,
The Central Bank of India, Ltd.,
Hornby Road, Fort, Bombay.

Sir,

Under summons under Section 37 of the Indian Income-tax Act XI (enclosed herewith) read with Section 4 of the Bankers Book Evidence Act, I have the honour to request you to please supply me with the following information on or before the 20th May 1941 in respect of cheques as per enclosed statements which have been credited to the account of . . . who has an account with your Bank.

(*a*) Name of the Drawer.
(*b*) Name of the Drawee.
(*c*) Cheque Nos. and Dates.
(*d*) Name of the Bank on which the Cheque was drawn.

I may add here that you need not produce books of account and registers but it will be sufficient if you will please furnish me particulars asked for in the form of a reply to this letter on or before the date above specified. A list of cheques with the dates is enclosed herewith.

I have the honour to be,
Sir,
Your most obedient Servant,
(Sd./)
Income-tax Officer, Sec.....
(Central), Bombay.

Summons to witness under Section 37 of the Indian Income-tax Act, 1922.

No. Cent. Dated .....

To
The Manager,
The Central Bank of India, Ltd.,
Hornby Road, Fort, Bombay.

Whereas your attendance is required in the matter of the assessment of the Income-tax of ..... you are hereby required personally to attend at my office at Central Government Buildings, Queen's Road, Bombay, on the 20th day of May 1941 at 11 o'clock a.m., there to evidence and to produce either personally or through a representative the undernoted documents and not to depart until you have received my permission to do so. Failure to so appear without lawful excuse and give evidence or produce the documents is punishable under the provisions of the Civil Procedure Code, 1908 (Rule 12 of Order XVI).

Documents to be produced.

Particulars required for mentioned in the accompanying letter.

(Sd./)
Income-tax Officer, Sec..... Central.

Letter No. 4(23)*I.T.* 41, *dated* 17*th September* 1941, *from First Secretary, Central Board of Revenue, to Chamber.*

I am directed to state that the points raised in your letter No. 1979, dated the 14th August 1941, have been noted.

Letter No. 2670, *dated* 24*th October* 1941, *from Chamber to the Secretary, Central Board of Revenue, Simla.*

I am directed by my Committee to acknowledge the receipt of your letter No. 4(23), I.T.41, dated 17th September 1941. The Board observe therein that "the points raised in your (my Committee's) letter No. 1479, dated 14th August

have been noted." I am desired to convey to the Board the disappointment of my Committee at this curt reply.

It is pertinent to point out that the views and suggestions contained in the letter under reference were made by my Committee in response to a suggestion from Mr. J. F. Sheehy, Member, Central Board of Revenue, to be in continuation of the points of view urged by them at the interview with him. It was expected, therefore, that the Board would give their consideration to the suggestions and, at any rate, indicate to my Committee the action they propose to take in regard to the same.

The first point related to complaints about the fishing enquiries made by the Department about the assessees particularly regarding bank transactions etc. My Committee had also raised therein certain legal issues regarding the right of an assessee to be present when any evidence was being given against him or otherwise in respect of his assessment. As the point involved is one of fundamental importance, it is requested that the Board will be pleased to give my Committee an indication of the action proposed to be taken in this regard.

The other suggestion made in the letter in question related to the provision of appeal against Income-tax Officer's order for the cancellation of registration of a firm under Section 23(4). It may be pointed out that while Section 30 provides for an appeal to the Appellate Assistant Commissioner against the Income-tax Officer's order refusing registration, it does not specifically provide for an appeal against orders for cancellation of registration under Section 23(4). In practice the Appellate Assistant Commissioner of Income-tax while considering the appeal under Section 23(4) refuses to consider the question of cancellation of registration under the said Section stating that he has no power under the Act to do so.

It may also be stated that when the assessment is made under Section 23(4), Section 28 comes into operation. Thus cancellation of registration is an additional penalty imposed upon a class of assessees, viz. the firms. Cancellation of regis-

tration involves the deprivation of the benefits of the provision in regard to carry forward of previous losses under Section 24. A suggestion was also made that the Act should be amended so as to permit the carry forward of the previous losses notwithstanding the cancellation of registration under the above circumstances. My Committee again urge that these points should be sympathetically examined by the Central Board of Revenue and necessary steps taken to provide for the relief asked for.

My Committee urge that amendments designed to give relief in the above directions should be incorporated in the amending Bill to be introduced in the forthcoming session of the legislature.

Letter No. 29(103)-I.T.|41, dated 18th October 1941, from the Secretary, Central Board of Revenue, to the Secretary, Indian Merchants' Chamber.

Will you please refer to your letter No. 1979, dated the 14th August 1941, regarding summoning banks under section 37 to produce detailed particulars of an assessee's account and cancellation of registration under Section 23(4).

2. On looking into the matter, I find—and this confirms what I then explained—that banks are only called upon to produce their constituents' accounts and furnish detailed information when the assessees themselves fail or refuse to do so. As the law stands, it is not necessary that the assessee should be present when the Income-tax Officer is examining the evidence called for by him under section 37. You may remember that much the same point was raised when the Amendment Bill (1938) was on the anvil, when an amendment was moved to the effect that when evidence was called for by the Income-tax authorities under section 37, the assessee should be entitled to be present and to cross-examine the witnesses. This, however, was rejected by the Assembly. In practice, however, where the assessee was not present at the examination of the evidence the Income-tax Officer, before making the assessment, would ordinarily apprise the assessee

of the material on which he proposes to act and would hear his objections.

3. As regards amending the law to provide for an appeal against the cancellation of registration under section 23(4), this does not appear to be necessary. Registration is generally granted at the time of assessment and not before it and there would thus hardly be a case in which it would be necessary to cancel the registration. If it is a case of refusal of registration, the right of appeal already exists.

4. As to the inadmissibility of the partner's share of loss carried forward if the firm is assessed as an unregistered one, there is no strong case for amending the law to allow a set-off of such loss in that year or to extend the period for which it can be allowed to be carried forward.

Letter No. 3032, *dated* 29*th November* 1941, *from Chamber to Mr. Sheehy, Secretary, Central Board of Revenue.*

Please refer to your D. O. letter No. 29(103)-I.T./41 of the 18th October replying to the points raised in my letter No. 1979 of the 14th August. The matter was further considered by my Committee and they feel that the position taken up by the Board in regard to the points at issue is not satisfactory from the point of view of the assessees.

In particular, they would like to press their suggestion regarding the need for providing an appeal against cancellation of registration under Section 23(4). You observe in your reply that " registration is generally granted at the time of assessment and not before it and there would thus hardly be a case in which it would be necessary to cancel the registration." In fact, from the information placed before my Committee, there are many cases of hardship arising out of cancellation of registration under the particular circumstances referred to in the previous correspondence. The question of cancellation of registration also arises when the assessment is made under Section 34. Before the amending Act of 1939, Section 34 was applicable only for one year. Under the present Act, assessments can be re-opened for four years in

normal cases and eight years in cases of concealment of particulars and hence there are likely to be a number of cases in which the difficulty about cancellation might arise.

We would like to place before you one or two actual instances of the harsh manner in which the present provisions are operating. In a particular assessment made in 1936-37, a firm having 10 partners was allowed to be registered and the income was arrived at Rs. 1,92,964. The total liability on account of income-tax and super-tax amounted to Rs. 28,663. The assessment, however, was subsequently re-opened and the income assessed was increased to Rs. 2,65,440. As the department alleged some default on the part of the assessees, the fresh assessment was made under Section 23(4). While by the fresh assessment the assessable income was increased by Rs. 72,476, the tax demanded now is Rs. 54,336 being an increase on the original figure by Rs. 25,673. Assessment under Section 23(4) entails the operation of Section 28 which provides a penalty to the extent of 150% or the amount of income-tax and super-tax which would have been avoided if the income as returned by such person had been accepted as the correct income as the case may be, and, in this particular case, the penalty would be Rs. 38,509 for the alleged escaped sums of Rs. 72,476. The tax liability is increased to the tune of Rs. 63,885 (Rs. 25,376+Rs. 38,509).

Another instance has been brought to the notice of my Committee where the present provisions of the Act have been exercised to the prejudice of the assessee in case No. A. 8901 of 1938-39. The assessees applied for renewal of registration on 16th May 1939 (received in the income-tax office on 8th February 1941) and the Income-tax Officer by his letter dated 9th June 1941 intimated to them that the registration of their firm was renewed for the assessment year 1938-39. This intimation was followed by the Income-tax Officer's notice under Section 23(4) dated 13th June 1941 giving intimation of his intention to cancel registration of the firm because of certain alleged defaults. Registration was subsequently cancelled. We are mentioning these facts to show that the hard-

ship under the existing provisions is not of an exceptional character, but there are likely to be many cases in which cancellation of registration without even a right of appeal will considerably prejudice the interests of the assessee.

In this connection, I am also desired to invite your attention to this office letter No. 2670, dated 24th October, addressed to the Board and to request that the points raised therein should be further examined by Government with a view to the necessary steps being taken to provide the relief asked for.

Letter No. D.O.C. No. 29(103)-I.T.|41, dated 4th February 1942, from the Central Board of Revenue to Chamber.

Your letter No. 3032, dated the 29th November 1941.

The points raised by you have been noted for consideration when next the Income-tax Act is being amended. But it is not proposed to introduce in the near future an amending Bill.

APPENDIX 41

Letters of Credit

Letter No. 2457, dated 18th September 1941, from Chamber to the Chairman, Exchange Banks' Association, Bombay.

The Committee of this Chamber have received a communication from a member wherein it is pointed out that business people have been receiving confirmed and irrevocable letters of credit opened by their foreign buyers through their banks in London, New York and other places. Such foreign banks, having no branches in Bombay, pass such letters of credit to the shippers through their Bombay agents such as the National City Bank of New York, National Bank of India, Eastern Bank, etc. The local branches acting as agents of the foreign banks in their letters of advice incorporate a clause as under :—

> "We would ask you to note that this advice does not release you from the liability attaching to the drawer of a Bill of Exchange.

or

Please note that this advice does not release you from the liability usually attaching to the drawer of a Bill of Exchange, etc., and that the documents will only be taken as a collateral security."

My Committee are of opinion that confirmed and irrevocable letters of credit cannot admit of such clauses as above stated, as otherwise such letters of credit cannot be irrevocable nor confirmed, as in the usual course the shipper after having been paid against the delivery of the documents was under no liability afterwards. The above clause, however, continues such liability and therefore such Letters of Credit cannot be called irrevocable and confirmed Letters of Credit.

I am directed, therefore, by my Committee to draw the attention of your Association to this anomaly and request them to let my Committee know as to why such advices are conditioned by clauses which vitiate the true purpose of such Letters of Credit.

Letter, dated 27th September 1941, *from Chairman, Bombay Exchange Banks' Association, to Chamber.*

Confirmed Letters of Credit.

This will acknowledge receipt of your letter of 18th September. The matter was referred to the Members of this Association and I have been instructed to reply to you as follows :—

(1) An *Irrevocable* Credit is one which cannot be revoked or cancelled without the consent of all parties thereto, such parties being the applicant for the credit, the issuing bank, and the beneficiary of the credit.

(2) A *Confirmed* Credit is one which bears a clause affixed by the bank opening the credit, engaging itself to protect all drawings thereunder if drawn in accordance with the terms of the credit. Such a clause usually reads as follows :—

"We hereby agree with the drawers, endorsers and *bona fide* holders of drafts drawn under and in compliance with the terms of this credit that the same shall be duly honoured on due presentation to the drawee."

The Members of your Chamber appear to be primarily interested in the matter of their liability as drawers of bills of exchange under *Irrevocable* and *Confirmed* Letters of Credit. Please note that there is nothing in such credits which releases them from their liability as drawers of bills of exchange. In other words, if such bills are dishonoured by the drawee on presentation, the negotiating bank continues to have full recourse on the drawer. This feature is little understood by the local mercantile community and, therefore, some Exchange Banks place on the credits which they advise statements similar to the ones mentioned by you, bringing the obligation *pointedly* to the attention of the beneficiary. It must be borne in mind, however, that the liability of the drawer continues to exist legally, whether it is expressly stated on the advice of the credit or not.

Letter No. 2868, dated 15th November 1941, from Chamber to the Chairman, Bombay Exchange Banks' Association, Bombay.

I am directed by my Committee to reply to your letter of the 27th ultimo, as follows :—

My Committee agree with the definitions of (*i*) "an Irrevocable Credit, and (ii) a "a Confirmed Credit" given in your letter under reply. They, however, take strong exception to your interpretation of "an Irrevocable and Confirmed Letter of Credit" as regards the liability of the drawer of a Bill of Exchange. My Committee do not agree with you that on a Bill being dishonoured by the drawee on presentation, the bank which has given a Letter of Credit has full recourse on the drawer. In this connection, I may be permitted to point out that in a case reported in 1922, I. K. B. at page 318 Urquhart Lindsey & Co. Ltd., *vs.* Eastern Bank Limited, Rowlett J. observed as follows :—

"In the present case, however, the Credit was irrevocable and the effect of that was that the Bank really agreed to buy the contemplated series of Bills and Documents representing the contemplated shipments just as the buyer agreed to take and pay for by this means the goods, themselves. . . . The whole purpose of the arrangement is that the seller shall have a responsible paymaster in this country to protect him against the very contingency which has occurred and the very damages which he claims."

From the above observations, it is clear that the Bank which issues an Irrevocable and Confirmed Letter of Credit guarantees payment of the Bill on presentation or acceptance and if ultimately the Bill is dishonoured by non-payment by the drawee, either by reason of the drawee becoming insolvent or for any other reason whatever, the Bank has no recourse to the drawer of the Bill. This point of view was further elucidated in a decision reported 51 Cal. at page 43 Chandanmull Benganey *vs.* National Bank of India Limited. In that case, the incidents of an Irrevocable Confirmed Letter of Credit are explained. In that case, the Letter of Credit contained the following words : "Please note that this advice does not release you from the liability attaching to the drawer of a Bill of Exchange." On a true interpretation of the above condition, Mukerjee J. held that the purpose of the document was to facilitate negotiations and not to furnish an ultimate guarantee. He observed as follows :—

"The expression 'Confirmed Irrevocable Credit' inserted in the Letter of Credit does not amount to a guarantee by the Bank of the solvency of the drawee or that the Bills would be accepted by them and honoured at maturity. The arguments advanced by the plaintiffs could be allowed to prevail only if the above conditions were deleted."

In the light of the above decisions, my Committee are firmly of the opinion that according to the Law, in the case of an Irrevocable and Confirmed Credit, the Bank which has issued such a letter has no recourse on the drawer in case the

bill is dishonoured by the drawee on presentation. My Committee would, however, very much like to be enlightened as to the authority by which your views set out in your said letter are supported.

As in the present times difficulties have been experienced by merchants regarding their parting with Shipping Documents on the faith of Irrevocable Confirmed Letters of Credit, my Committee are of opinion that unless satisfactory explanation is forthcoming as regards the liability of the drawer of a Bill of Exchange in case of dishonour by the drawee, on presentation, they will be compelled to issue a warning to the mercantile community, pointing out to them the exact implications of an Irrevocable Confirmed Letter of Credit.

Letter, dated 5th December 1941, *from the Chairman, Bombay Exchange Banks' Association, Bombay, to Chamber.*

Your further letter of the 14/15th inst. has had the consideration of my Members. At their request I have to observe as follows :—

To restate the point at issue. It arises in connection with confirmed and irrevocable credits opened by foreign buyers through banks in London or New York, etc., which have no branches in Bombay and, therefore, advise such credits to the beneficiary through the agency of a Bombay Exchange Bank. In so doing the advising agent incorporates in the advice a clause notifying the beneficiary that the advice does not release the beneficiary (drawer) of bills under the credit from the liability of a drawer.

It is stated in your letter that your Committee are firmly of opinion that in the case of an irrevocable and confirmed credit, the bank, which "has issued such a letter" has no recourse on the drawer in case the bill is dishonoured by the drawee on presentation.

Your Committee avowedly base this opinion upon certain observations in two cases cited.

On those cases and observations I am to remark as follows :—

In regard to the first case, viz. that of Urquhart Lindsay & Co., Ltd. *vs.* Eastern Bank, Ltd. (1922 I.K.B. 318) the buyers in Calcutta were to open a confirmed irrevocable credit in favour of the plaintiffs with a Bank in England and to pay for each shipment as it took place. The defendants who were the buyer's bankers in London wrote to the plaintiffs a certain letter in which it was stated : " this to be considered a confirmed irrevocable credit ". In the events which happened the defendants refused to pay bills presented by the plaintiffs on the third shipment and the plaintiffs accordingly cancelled the contract claiming damages from the defendants.

In the letter above mentioned, the defendants had written to the plaintiffs the defendants would pay bills drawn on the buyers to the extent mentioned, the bills to be accompanied by documents etc.

The circumstances of the credit in this case differ widely from those of the credit referred to in para. 1 of your letter of the 18th September last. In the case cited there was no agent or correspondent who advised the credit. There was no negotiation by a Bank which had acted as Agent to advise the credit. There was no negotiation by a third party bank. The defendant Bank had agreed with plaintiff to pay the amount of his bills drawn on defendant and thereafter refused to do so. Hence the observation in the judgment that the defendant bank really agreed to buy the contemplated series of bills and documents may well have been justified. The observation was relevant only to the facts then before the Judge.

I am to note that the point at issue in the case cited was whether the contract between the issuing bank and the beneficiary was absolute and not dependent on strict performance of all the terms in the contract of sale. No question arose as regards the purchase of bills by a third party and whether in such case the right of recourse was negatived. In fact no question of recourse arose.

In regard to the second case, viz. that of Chandanmull Benganey *vs.* National Bank of India Ltd., (51 Cal. 43), it was the meaning of a document which was in issue. The National Bank of India Ltd. at Calcutta wrote to plaintiff that they were in receipt of advice by wire from their London Office that a confirmed irrevocable credit had been opened under which the National Bank were authorised to negotiate plaintiff's bills as therein mentioned. The advising Bank wrote that the advice did not release the plaintiffs from the liability attaching to the drawer of a bill and added a further condition as to not engaging to negotiate any particular bill.

Goods were shipped and bills drawn. The bills were discounted by the Chartered Bank and other banks including the National Bank. The drafts were accepted by the purchasers who received the shipping documents but the purchasers suspended payment before maturity. The shippers had to pay the amount of the drafts and sued the National Bank upon the alleged credit. The document was held not to be a confirmed irrevocable credit issued by the National Bank as alleged but a document to facilitate negotiation of drafts.

The observation of Mookerjee J. cited was made when considering whether the document amounted to such a credit as alleged. He came to the conclusion that it did not, but was merely an advice of the facility of negotiation coupled with a warning that the drawer's ordinary liability attached. He went on to say that the expression "confirmed irrevocable credit" was no guarantee by the bank of the solvency of the buyers or that "bills would be accepted etc. and that the arguments advanced by the plaintiffs (i.e. that it was a confirmed irrevocable credit issued by the Bank to the plaintiffs) could be allowed to prevail only *if material clauses of the document* were deleted."

The words italicized are the words used in the Judgment *not* "if the above conditions were deleted", as stated.

I am to observe that in the case cited there was not an irrevocable confirmed credit such as is referred to in your

letter of the 18th September. Next, even if there had been the issuing Bank and advising Bank would have been one and the same. Third, all the observation says is that the document could not well be a confirmed and irrevocable credit when it contained clauses inconsistent with a letter of credit where issuer and negotiator were one and the same. Be it noted, however, the clauses would be consistent with an advice by an agent or bank concerned to negotiate not being the bank which had issued the credit. So far from the case cited, being an argument *for* the proposition sought to be made by the Chamber, my Members are of opinion it is an authority *against* that proposition.

As regards recourse.

Next, I am to observe that, even if the issuing bank is liable to the negotiating bank, nevertheless, that does not release the drawer in the absence of a contract or breach of duty or other factor having that effect. The liability of the drawer is a statutory liability under the Negotiable Instruments Act and the release must be in unequivocal terms. No doubt the negotiating bank may have a right against the issuing bank. But the negotiating bank has also a right against the drawer. The negotiating bank has two rights and in the circumstances it is submitted that is proper. The issuing bank may decline payment on a number of grounds, e.g. if the issuing bank be a foreign bank war may supervene, or there may be mutual mistake upon issue of the credit, or fraud, or non-compliance with a credit condition, (such condition being precedent to the issuing banker's liability). The Members of my Association find it difficult to see why the negotiating bank, at highest at one time an agent to advise the credit and thereafter a mere negotiating bank, and even a stranger negotiating bank, should be asked to assume that the draft will necessarily be met and to assume the burden of the transaction between seller and buyer. That responsibility appears to be a matter for the shipper and drawer not for the party negotiating the bills of the drawer under a credit of the nature mentioned by you.

The Members of my Association are averse to quoting extracts from judgments but I may perhaps refer you to two passages in the judgment of the Privy Council delivered by Viscount Sumner in M. A. Sassoon & Sons Ltd. *vs.* International Banking Corporation (reported A. C. 711 at bottom p. 729 and in conclusion p. 731).

In that case Appellants sold goods to merchants in London at a c.i.f. price, payment by drafts against a confirmed credit. On shipment Appellants drew on the buyer bills payable to the Respondents. The Respondents negotiated with notice that the bills were drawn against a confirmed credit opened by buyers with the Eastern Bank. Appellants handed to Respondents the shipping documents with the bills and a memorandum describing the bills as D/A. The Respondents handed the documents to the buyers against acceptances. The acceptances were dishonoured. The Respondents then sued the drawers.

It may be noted that the Respondents at one time took the defence that there was no recourse. The defence was abandoned.

After stating that "it might be true that it would have been better to have intimated to the trade that the Banks were not undertaking all the burdens of shippers' transactions however they might turn out," Viscount Summer observed that "Appellants were not in a position to show that when they discounted the drafts in suit they (Appellants) bargained that the transaction should be without recourse and to limit the respondents *prima facie* right of recourse they (Appellants) must show some contract or some breach of contract or of duty which would have that effect in law."

The contention of the Members of my Association is that in law the position adopted by agent Exchange Banks advising a credit in the circumstances mentioned is justified. For the reasons indicated they contend that an agent who merely advises and thereafter negotiates or a stranger negotiating should not be asked to shoulder all the burden of the Shippers' transaction.

Finally, I am to observe that in reminding the shipper of the position the agent bank who may subsequently negotiate is but adopting the suggestion which fell from the Privy Council of intimating to the trade the Banker's position.

APPENDIX 42

Withdrawal of Queen Victoria Coins from Circulation.

Letter No. 171, *dated 23rd January* 1941, *from Chamber to the Secretary, Government of India Finance Department.*

In October last, the Government of India by an Ordinance announced that they had decided to withdraw from circulation Queen Victoria rupees and half-rupees and that after 31st March 1941, such coins would cease to be legal tender, although they would be received and exchanged till 30th September 1941 at all Government Treasuries and Post Offices and thereafter until further notice only at the offices of Issue Department of the Reserve Bank of India at Bombay and Calcutta. This sudden decision of Government to withdraw the coins in question from circulation, it is felt, would cause considerable inconvenience, particularly in the mofussil centres. Reports are being received that in many parts of the country, considerable difficulty is being experienced by the refusal to accept Victoria rupee coins. It appears that even at the counters of commercial departments of Government like Post Offices, the coin is not freely accepted. One can easily imagine the difficulties and inconvenience of the people, particularly in the rural areas by such a development. The coin has been in circulation for a century now, and it is felt that if Government wish to demonetise the same, at least a longer period of notice should, in fairness to the public, be given. My Committee, therefore, suggest that the withdrawal should not be enforced as from 1st April 1941 and that a sufficiently longer time should be allowed before Government take any steps in that direction.

2. It has further been pointed out to my Committee that the decision and intention of Government in regard to the withdrawal of the coin has not received sufficient publicity. It is true that the announcement has been made in the press through a Press Note officially issued ; but the purport of the same has not been widely disseminated, particularly in the rural parts. It is necessary that full information, explaining the implications of the step, should be widely circularised in the different vernaculars of the various Provinces. Notices in the vernaculars may well be displayed in all the Post Offices in the country.

3. My Committee hope that Government will be pleased to consider the above suggestions favourably and to extend the period for the withdrawal sufficiently and, in the meanwhile, to take such steps as are necessary to give the widest possible publicity to the ultimate intention to exclude the coins in question from circulation.

Letter No. D|996-F, dated 15th February 1941, *from Finance Department, Government of India, to Chamber.*

I am directed to refer to your letter No. 171, dated the 23rd January 1941, on the subject noted above, and to say in reply that as the demonetised Victoria coins will be received freely at all treasuries, post offices and branches of the Imperial Bank till the 30th September 1941, the Government of India do not consider the time limit allowed to be inadequate, or as likely to cause hardship. As regards your suggestion for giving wider publicity to the withdrawal of Queen Victoria coins, particularly in the rural areas, I am to inform you that all possible steps have been taken to disseminate the information far and wide through the Press and All-India Radio. A copy of the Press communique issued on the 29th January 1941, is enclosed for your information.

WITH FINANCIAL SECRETARY'S COMPLIMENTS PRESS COMMUNIQUE

Withdrawal from Circulation of Queen Victoria Rupees and Half-rupees

As notified on October 11, 1940, Victoria rupees and half-rupees which are being withdrawn from circulation will be legal tender only up till the 31st March 1941, though for a further six months, i.e. till the 30th September 1941, they will be accepted at all Government Treasuries and Post Offices. After the 1st October 1941, they will be accepted until further notice at the offices of the Issue Department of the Reserve Bank of India at Bombay and Calcutta. It is, therefore, advisable for all holders of Victoria rupees and half-rupees to present them for payment as early as possible in order to save themselves from inconvenience.

Letter No. 389, *dated* 14*th February* 1941, *from Chamber to the Postmaster-General, Bombay.*

My Committee have been recently carrying on correspondence with the Reserve Bank of India and the Government of India with regard to the proposals of Government regarding Victoria rupee coins. They are informed by the Reserve Bank that the Government of India have already taken steps to give wide publicity, especially in the rural areas, to the proposals. My Committee are informed that the Victoria coins are not still accepted at some of the small suburban post offices. I shall thank you to inform me if this is a fact. If it is so, you will kindly take steps to circularise all the suburban post offices in terms of the Government communique.

Letter No. 390, *dated* 14*th February* 1941, *from Chamber to the Presidency Postmaster, G. P. O., Bombay.*

My Committee have been recently carrying on correspondence with the Reserve Bank of India and the Government of India with regard to the proposals of Government regarding Victoria rupee coins. They are informed by the Reserve Bank of India that the Government of India have already

taken steps to give wide publicity to their proposals. My Committee are informed that the Victoria coins are not still accepted at some of the small suburban post offices. I am enquiring of the Postmaster-General, Bombay, if this is a fact. In the meanwhile, my Committee beg to request you to be good enough to make enquiries if there is now any difficulty with regard to these coins being accepted at post offices in the mofussil. If you find any difficulty, steps may please be taken to issue a circular in terms of the Government communique to the rural post offices, in order that the people in the mofussil will not be inconvenienced.

Letter No. JC-125/II, dated 28th February, 1941, from the Postmaster-General, Bombay, to Chamber.

With reference to your letter No. 389, dated the 14th February 1941, I have the honour to forward herewith a copy * of the circular in which necessary instructions have been issued by me to all concerned about the "Queen Victoria" coins and to request that you will kindly let me know if any complaints still continue to be received by you against the post offices in this connection.

APPENDIX 43

Refund of Import Duty on Artificial Silk Yarn used in Artificial Silk Piecegoods Exported.

Letter No. 169, dated 23rd January 1941, from Chamber to the Secretary, Central Board of Revenue, New Delhi.

The manufacturers of artificial silk piecegoods through their Association in Bombay have approached my Committee with a request that the Government of India should be moved to provide for the refund of duty paid on imported artificial silk yarn used in the manufacture of artificial silk piecegoods which are subsequently exported.

Section 43A of the Sea Customs Act has empowered the repayment of duty as drawback on goods taken into use

* Not printed.

between importation and re-exportation in suitable cases and have left it to the Central Government to decide, from time to time, the types or categories of goods for which such refunds should be allowed. It is pertinent to point out that in this case the finished product, before it reaches the ultimate consumer, has to pay two duties: (*i*) the import duty on artificial silk yarn levied by the Government of India, and (*ii*) the duty on piecegoods levied by the Government of the country to which it is exported. The result is that the ultimate cost of such goods is very much increased, and the Indian product suffers in its competitive capacity *vis-a-vis* the products of other countries in the foreign markets. Efforts are being made now to find new export markets for Indian manufactures, and at this juncture it would be greatly facilitating such an export push if the Government of India were to afford the necessary relief to the products of Indian artificial silk weaving mills by providing for the repayment of the amount of import duty paid on artificial silk yarn used in such piecegoods.

In this connection, it is pertinent to point out that, under the U. K. Customs Tariff, a system of allowing drawbacks on imported articles taken into use before re-exportation is in vogue. Moreover, special provisions governing the payment of drawbacks on silk and artificial silk goods are made under the said Tariff, which goes to justify the claim on behalf of Indian manufacturers for corresponding relief.

My Committee hope, therefore, that Government will be pleased to consider the above matter favourably.

Letter No. D. Dis. No. 118-*Cus.I*|41, *dated* 19*th August* 1941, *from the Secretary, Central Board of Revenue, to Chamber.*

I am directed to refer to your letter No. 169, dated the 23rd January, 1941, and to state that the consideration of the question of granting a rebate of the duty paid on artificial silk yarn used in the manufacture of fabrics exported out of India has been deferred in view of the present international situation.

APPENDIX 44

Export Duty on Rice in Burma.

Telegram, dated 20th February 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

Committee Indian Merchants' Chamber regret the action of the Government of Burma in levying an Export Duty on rice. Lately prices of rice in India have been going up because of scarcity in rice districts and the imposition of this duty will add to the burdens on the consumers. Whatever be the legal rights of the Burma Government under the existing convention it is unfortunate that such a moment should have been chosen for this levy. Moreover negotiations are at present going on in the matter of future trade relations between the two countries and in fairness the Burma Government should have awaited the results of the talks before embarking upon such a step. Committee urge that the Government of India should press upon the Burma Government for immediate withdrawal of the levy and at least forward orders placed before the imposition of the duty at rates then prevailing should be exempted from the levy as otherwise merchants concerned will be put to considerable loss and inconvenience.

APPENDIX 45

Levy of Customs Duty on Market Value on Provisions.

Letter No. 1007, *dated 25th April* 1941, *from Chamber to the Collector of Customs, Bombay.*

The attention of the Committee of this Chamber has been drawn to a practice recently introduced by the Customs authorities of recovering duty on some of the items of provisions on market value instead of on invoice value. In this connection, my Committee are informed that before the year 1931, oilmanstores and provisions were generally assessed under Section 30(*a*) of the Sea Customs Act, i.e., on market value ; but in response to representations made by the trade interests,

from that year till recently such articles came to be assessed under Section 30(*b*), i.e., on invoice value. The interests concerned have now represented to my Committee that in these days when there are heavy fluctuations in prices and when supplies of stocks are not regular due to the disorganisation in sea transport, it is not possible to ascertain market value on a fair basis and consequently importers are obliged to pay duty on values which have no relation to the prices at which the goods in question were imported.

My Committee feel that there is some justification for the complaint, and, in their opinion, in cases where the importers are getting their supplies direct under an indent system and where the supplies are not received through the medium of any representative of agent in India of the exporters at the other end, the duty should be recovered on the invoice value and not on the market value. It is reasonable to presume that in such cases of direct transactions the invoices represent the correct values at which the goods have been purchased and as such the duty should also be based on the values indicated in the invoices. My Committee, therefore, request that the procedure in question may please be modified and that in the case of direct imports the duty be assessed on the invoice value.

Letter No. C. No. 1073|41, *dated 2nd July* 1941, *from the Collector of Customs, Bombay, to Chamber.*

I have the honour to refer to your letter No. 1007, dated 25th April 1941 on the above subject.

2. All provisions except Quaker Oats are assessed to duty on their invoice value under Section 30(*b*) of the Sea Customs Act and not on their market value under Section 30(*a*) of the Act as represented to your Committee. It has been found that a regular and continuous wholesale market value is ascertainable in respect of Quaker Oats and in view of the wording of Section 30 of the Sea Customs Act this Custom House has no option but to assess them under clause (*a*) of that Section.

APPENDIX 46

Import Duty in Burma on Indian Films.

Letter No. 1158, *dated* 19*th May* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

After the recent Indo-Burma Trade Agreement, the Government of Burma levied a duty on exposed cinematograph films imported from India into that country. Although under the terms of the Agreement goods of Indian origin are entitled to a margin of preference of not less than 10% over similar articles enjoying preferential treatment when imported from U. K. or from Colonies and a margin of preference of not less than 15% over similar articles liable to duty at the standard rate in that country, at one time it was proposed by that Government to levy the same rate of duty on imports of films from India and from other countries including America. This would, no doubt, have placed the Indian films in a position of great disadvantage. In response, however, to representations made both on behalf of the Indian producers and distributors and the exhibitors in Burma, the original proposals were modified and at present Indian films are liable to a duty of 15% *ad valorem* calculated on the basis of a tariff value of 7 pies per foot for exposed standard positive feature films and 3 pies per foot for other exposed standard positive films (including all trailers), the corresponding duty on films of non-Indian origin being 37½% *ad valorem*, based on a tariff value of 7 pies per foot and 3 pies per foot respectively.

It has been represented to my Committee that even on this basis, although the margin of preference to which India is entitled to under the Agreement is made available, it would be difficult for Indian films to be imported and shown in Burma for the reason that the duty on the scale referred to above might almost absorb the profit accruing to the Indian distributors on account of the bookings of Indian films in Burma. They urge that it is not easy to transfer the burden of the duty to the cinema-going public as the scale of rates for the different classes in cinema houses are more or less

standardised and any increase in the same may have a regressive effect on the attendance at cinema shows and the total sale of tickets. It is feared, therefore, that the present rate of duty is likely to affect adversely exports of Indian films to that country.

My Committee understand that the above arrangements are of a provisional character and that after a period of about three months, the whole question would be re-examined. It is requested that the Government of India will be good enough to examine this question and to watch the effect of the present rate of duty on imports of Indian films into that country and to take steps to secure the necessary re-adjustment of the rate as may be found necessary having regard to all relevant considerations.

Letter No. 100-*T* (19) |41, *dated* 11*th July* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 1158, dated the 19th May 1941 on the above subject, I am directed to inform you that the Government of India propose to keep a watch on the effect of the present rate of duty on imports of Indian films into Burma. They have, however, observed that the existing tariff values in Burma mean that the duty payable there is less than that payable in Ceylon where Indian films are being exhibited without difficulty. Moreover, the duty in Burma on a film 12,000 feet long—the average length of an Indian film—works out to Rs. 66 approximately and it is doubtful whether it could seriously be contended that this amount is of such magnitude as to make the distribution of Indian films in Burma unprofitable.

APPENDIX 47

Import Duty on Cocoa Beans.

Letter No. 2217, *dated* 8*th September* 1941, *from Chamber to the Finance Department, Government of India, Simla.*

I am directed to draw your attention to the levy of import duty on cocoa seeds and beans which is acting as a great

hardship to the newly started cocoa manufacturing industry which has to rely mainly on imported seeds which are used as raw material by the industry. My Committee are informed in this connection that Governments of the United Kingdom and Australia admit free of duty such seeds and beans imported from any part of the British Empire. My Committee are also informed that as a result of this heavy import duty on cocoa seeds, the import cost of cocoa beans does not stand comparison with that of imported cocoa powders, as under item No. 18 of the Indian Customs Tariff, the seeds have to bear 25% *ad valorem* duty. My Committee, therefore, request Government to be pleased to amend item 18 in the Indian Customs Tariff and permit import of cocoa seeds and beans from British Empire countries free of duty as is done by U. K. and Australia.

Letter No. 70-T(1)|41, dated 27th September, 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2214, dated the 8th September 1941, addressed to Secretary to the Government of India in the Finance Department requesting that the import duty on cocoa beans may be removed, I am directed to say that the Government of India have given the matter their careful consideration but regret that they are unable to accede to your Chamber's request.

APPENDIX 48

Inclusion of Export Control Fees and Assessment of Duty on Sundry Articles from Japan.

Letter No. 1790, dated 26th July 1941, from Chamber to Collector of Customs, Bombay.

The attention of my Committee has been drawn to the above Circular issued by your office regarding collection of duty on sundry articles imported from Japan. In this connection, they are informed that generally the amount of fees

paid to the Japanese Export Control Association is included in the C.I.F. prices paid by the Indian importers and it may not be possible always for the importers to get the particulars separately from the Japanese shippers or the exporters. Moreover, it would appear that the above fees are of a nominal character and as such merchants would like to be enlightened as to the circumstances under which the Customs Department consider the separate information necessary. Enquiries have also been made whether a certificate to the effect that the C.I.F. cost includes the Export Control Fees will be deemed sufficient for the purpose of the requirements under this notification or whether your Department would insist on the production of a certificate indicating the exact amount of the fees so paid.

My Committee request that you will be good enough to explain this matter more fully so that they may be in a position to furnish full information to the merchants from whom they are receiving enquiries and complaints.

Letter No. C. No. 1338|41, *dated 20th November* 1941, *from the Collector of Customs, Bombay, to Chamber.*

I have the honour to refer to your letter No. 1790, dated the 26th July 1941 on the above subject and to state that if invoices showing the export control fees recovered by the Export Control Association or separate receipts from the Association on account of such fees are produced they will be deemed as sufficient evidence for the purpose.

APPENDIX 49

Import Duty on Mercury, Red Lead, Camphor and Old Newspapers.

Letter No. 1160, *dated 19th May,* 1941, *from Chamber to the Director-General of Commercial Intelligence and Statistics, Calcutta.*

My Committee have received representations from interests concerned in the import of certain articles like Mercury,

Red Lead, Camphor and Old Newspapers, that they are experiencing considerable difficulty in the matter of assessment of Customs duty on imports of the articles in question in the absence of tariff valued heads for the same. It may be recalled that for all these articles tariff values were being fixed in the past. But immediately after the war, these items, among certain others, were removed from the schedule in question, duty being collected *ad valorem* on the basis of the market value. It is pointed out that the prices of these articles fluctuate sharply and particularly during unsettled conditions like the present, the variations are of a substantial character. Such a position makes ascertainment of anything like a stable market value almost difficult, if not impossible, with the result that on occasions merchants have to pay duty on market values said to be prevailing at the time of such payment, although the said values may have practically no relation to the prices at which the goods in question might have been purchased. What is more, this element of uncertainty upsets all calculations made by the importers in the commitments which they would have entered into for the sale of the goods in question after the import. In entering into such contracts they might have arrived at figures of prices basing the amount of duty payable on the market values ruling at the time of such contracts. By the time of the importation speculative and other factors would have seriously upset the market and the whole basis of the estimates of the merchants would prove wrong.

In order to obviate such developments, it is felt necessary that the element of uncertainty referred to above should be removed by prescribing tariff valued heads for the above articles and by fixing values in advance for the purpose of assessment of duty as was the practice in the past. My Committee request that you will be good enough to consider the above matter sympathetically and take steps for amplifying the schedule of tariff values accordingly.

APPENDIX 50

Fixation of Tariff Values and Agricultural Produce Cess Act

Letter No. 16813, *dated* 23*rd December* 1940, *from the Director-General of Commercial Intelligence and Statistics, Calcutta, to Chamber.*

You are no doubt aware that the Government of India are considering the question of fixing tariff values for articles on which cess is leviable under the Agricultural Produce Cess Act, 1940. With a view to enabling me to draw up for the consideration of the Government of India a tentative list of the articles which can conveniently be assigned a tariff value, I shall be glad if you will let me have, by the 13th January 1941, at the latest, any suggestions that the members of your Chamber may wish to offer in this connection. In doing so, they will, no doubt, realise that it will be extremely inconvenient administratively to fix different tariff values for different grades or qualities of the same article unless the grades vary very considerably in value and can be easily distinguished. To avoid these difficulties, therefore, it is essential that tariff values are fixed for the commoner types of commodities which, if necessary, can be divided conveniently into few distinctive grades or classes. I would, therefore, request that in making your suggestions the above consideration should be kept in mind.

2. I expect to be in Bombay by the end of January and shall be glad to discuss this matter with the members of your Chamber, if they so desire, after your suggestions have been received and considered by me. I shall let you know later the date that will suit me for this purpose.

Letter No. 103, *dated* 16*th January* 1941, *from Chamber to the Director-General of Commercial Intelligence and Statistics, Calcutta.*

I am directed to acknowledge the receipt of your letter No. 16813-C.I.C., dated 23rd December 1940, on the above subject.

In this connection, I am desired to point out that conditions in the commodity markets are uncertain and there are,

in these days, wide and frequent fluctuations in prices. Moreover, when the products of the fresh crops are on the market, the movements of prices may be more frequent and marked. My Committee, therefore, feel that the time is not opportune to fix tariff values for the purpose of collecting the Cess under the Act. They are of opinion that the practice of collecting the same on the basis of market value or on the invoice value should be continued. The question of fixing tariff values may, therefore, be postponed till more normal conditions are restored.

In your letter No. 436-C.I.C., of the 8th instant, on the same subject, you have suggested Thursday, the 30th instant, 2-30 p.m. for meeting representatives of the Chamber to discuss this question. The date and time will suit me. I may, however, add that at the above meeting our representatives will only be stressing their views as above, and will not be making any suggestions regarding provisional values for the various commodities.

APPENDIX 51

Proposed Changes in the Tariff Classification.

Letter No. 10765, *dated* 13*th August* 1941, *from the Director-General of Commercial Intelligence and Statistics, Calcutta, to Chamber.*

I enclose* a statement showing certain proposed additions to and alterations in the existing tariff-valued heads, which are for consideration at the time of the next annual revision of tariff values. I shall be obliged if, in the meantime, your Chamber will kindly examine them and furnish me with their views by the 8th September next.

Letter No. 2208, *dated* 6*th September* 1941, *from Chamber to the Director-General of Commercial Intelligence and Statistics, Calcutta.*

I am directed to acknowledge receipt of your letter No. 10765-C.I.C., dated the 13th August 1941, on the above subject

* Not printed.

and to send to you hereby the views of my Committee as follows :—

Item No. 8 in the First Schedule of Import Tariff :

With regard to the tariff valued head " Figs, dried, European " which is proposed to be deleted, my Committee are of opinion that the same should be maintained in the tariff valued list with the remarks " no imports and no value assigned ", the reason being that it would be very difficult to get the same re-introduced when it is found necessary in future.

My Committee have no objection to the rest of the changes proposed.

APPENDIX 52

Difficulties under the existing Provisions of the Indian Income-tax Act.

Letter No. 636, *dated* 14*th March* 1941, *from Chamber to the Central Board of Revenue, Government of Bombay.*

I am directed by my Committee to bring to the notice of Government certain difficulties experienced under some of the existing provisions of the Indian Income-tax Act and the administration thereof.

Section 26 — Partnerships :

Under the present provisions of the Act the division of partnership profits and losses is governed by the constitution of the firm during the accounting year and not the assessment year. Yet for the purpose of registration under Section 26A it is insisted that the firm must be in existence at the time of assessment also. The result is that a partnership which is discontinued or a partnership which is succeeded by a new firm or individual is denied the benefit of registration and is taxed as an unregistered firm. If, however, in any particular case the assessment is likely to be greater by treating the firm as registered and taxing the partners individually the Income-tax Officer, under the powers vested in him under Section

23(5), can in his discretion treat such firm as registered and assess the partners accordingly. Such a position is obviously unfair from the point of view of the taxpayer. In the opinion of my Committee all partnerships should be allowed to be registered or treated as registered which are proved to be in existence during the accounting year whether or not they continue to be in existence during the year of assessment. It may be recalled that the case for such a change in the procedure was advocated by my Committee when they met Mr. J. F. Sheehy, Member, Central Board of Revenue, in September last.

It was pointed out by Mr. Sheehy in his reply that the reform suggested by the Committee would involve a modification of the existing provisions of the law and that Government were not convinced of the need for the same. My Committee are, however, not sure whether any change in law, as suggested, is really necessary. Perhaps, according to them it is only a question of modifying the procedure. Section 26A, particularly sub-section 2 thereof, lays down the procedure to be followed in the matter of registration of firms. The particulars to be given and the forms to be used are to be prescribed by rules. It is the rules framed, viz. Rules 2 to 6B which provide that before the firm can be registered for the assessment year, it must be in existence at the time of the assessment. There is, therefore, no specific provision so far as the Act is concerned which would require the existence of the partnership at the time of the assessment as a pre-requisite condition for purposes of registration. The rule and the form of application in their present form have imposed this restriction which is not strictly warranted or, at any rate, not specifically contemplated by the section of the Act.

My Committee, therefore, suggest that Government should take steps to so amend the rules as to give the partners who were partners during the duration of the accounting years the benefit of registration by registering the firm as it existed during the accounting year. Such an amendment will to a large extent meet many of the difficulties that are at present

being experienced by assessees in the matter of registration of partnerships. Government have already recognised under the Amendment Act that persons liable to be taxed during the previous year would be those who were entitled to share the profits during the accounting year and not those who are partners at the time of assessment as has been the case under the old Act. My Committee are only asking for a logical extension of this principle in urging the change above referred to, viz. that a partnership during the accounting year should be entitled to registration irrespective of the fact whether it was or was not in existence at the time of the assessment.

While on this subject, my Committee would like to draw the attention of Government to a particular type of assessees in whose case the existing provisions regarding registration have proved to be grossly unfair. There is in vogue in commercial circles a system of doing business in temporary partnership or in what is commonly known as Joint Ventures. Joint Venture business is confined either to a particular transaction or to a particular purpose and the duration of the business or the partnership, if the term may be used, depends on the nature of the transaction. Generally, such *ad hoc* partnerships last for a month or two or sometimes even for a shorter duration, but in any case they do not extend beyond a period of 12 months. In such joint ventures sometimes individuals and sometimes even firms join together. Although the business in question is thus jointly transacted, it cannot be said that the combination or the association has all the incidents of a regular and properly formed partnership. It has been pointed out to my Committee that in assessing the income resulting from such joint ventures the department has not been observing any uniform practice. Whenever it suits the revenue they are assessed as unregistered firms so that if there are adequate profits the income is assessed at a rate higher than that applicable to the share of profits coming to the persons joining in the venture. On the other hand, if it is found that the revenue would benefit by the share of the income being assessed in the hands of the different partners, then under the powers vested in them under Section 23(5)(*b*)

the Income-tax Officers treat the venture as if it were a registered firm and assess the partners on their individual share. As generally at the time of assessment such joint ventures are no longer in existence, they cannot be registered. The assessment of joint ventures results in considerable hardship to assessees. My Committee are mentioning this instance to emphasise the need for the change they have advocated in the previous paragraph in the matter of the procedure governing registration of partnerships.

Section 35 — Rectification of mistakes :

In the case of any proceedings for the rectification of mistakes under the section which ultimately has the effect of enhancing the assessment and against which the assessee feels aggrieved, it appears that there is no further remedy inasmuch as no appeal is provided against the decision of the officer in respect of such rectification. My Committee are aware that before rectifying the mistake the officer concerned has to give notice to the assessee of his intention to do so, but this has not proved to be a sufficient safeguard particularly in cases where mistakes, about the existence of which the assessee had no notice or knowledge, come to be rectified. It is, therefore, suggested that an appeal may be allowed under Section 30 against any decision or assessment of the officer as a result of proceedings under Section 35.

Dividend Income :

It often happens that persons who receive income by way of dividends from companies are not always in possession of the dividend vouchers. Sometimes, they are in the possession of the person from whom the shares were purchased, the necessary adjustments in the matter of the dividend income having already been made at the time of the purchase. The Income-tax Officers, however, do not recognise such income as dividend income unless the vouchers are produced even though evidence may be adduced to the effect that the assessee concerned was the holder of the shares in question. While my Committee can appreciate the department insisting on

the production of such vouchers for purposes of refund claims, they are unable to see the justification for refusing to treat such income as dividend income and consequently proceeding to tax that income over again. It is necessary to issue instructions that where the officer is reasonably satisfied that the amount is taxed at source in the hands of the company, the shareholder should not again be called upon to pay the tax merely because of the absence of the voucher. My Committee request that necessary departmental instructions may please be issued in this regard.

Letter No. 1453, *dated 26th June* 1941, *from Chamber to the Secretary, Central Board of Revenue, Simla.*

I am directed by my Committee to refer to the Notification No. 16 of the 24th May 1941 regarding draft amendments to Indian Income-tax Rules 2 to 6. My Committee have considered the same and, in their opinion, the changes proposed do not meet the requirements of the situation.

My Committee had, in their letter No. 636, dated 14th March 1941, dealt with this matter at length and had pointed out how the existing provisions are operating to the disadvantage of the assessees. They had suggested that the rules in question should be amended so that all partnerships should be allowed to be registered or treated as registered which are proved to be in existence during the accounting year whether or not they continue to be in existence during the year of assessment. The amendments proposed by the Board do not achieve this object.

Under the draft amendments the right of the dissolved firms to claim registration can be exercised only *before* the date of dissolution and not afterwards. Such a provision is unnecessarily restrictive. A large number of dissolved firms, which may omit to give the required notice through ignorance of law or oversight, will be effectively prevented from taking advantage of this rule. It is, therefore, necessary to provide that a dissolved firm should be allowed to apply at any time before assessment is made on such firm.

In order to allow the benefit of registration to a firm under dissolution at any time before assessment, my Committee suggest that :

(i) the word " is " in para 2 of Form I, viz. the form of application for registration of a firm, should be changed to " was " or " has been ", and

(ii) that in Rule 4 sub-rule (1) the word " is " occurring for the second time should be changed to " was " or " has been ". A copy of para 2 of the form and sub-rule (1) of Rule 4, as it would read after the above amendments are made, is enclosed herewith.

The amendment, they further suggest, should be made retrospective so that those dissolved firms which had been refused registration and which have their appeals still pending either before the Appellate Assistant Commissioner or before the Tribunal should be entitled to have the benefit of the change.

The rules in question further preclude the grant of registration to a firm consisting of two partners of whom one dies and there is thus a dissolution by death. As it will be impossible to obtain the signature of the deceased partner in anticipation or after death such firms would be effectively precluded from obtaining registration. It is, therefore, necessary to provide that in the case of death of a partner the application shall be signed by his legal representative.

A sub-clause may be added to para 2 of Rule 2 to that effect.

My Committee hope that the above suggestions will be accepted by Government and the necessary changes made in the rules in question.

Letter No. C. No. 31(3)*I.T.*|41, *dated 23rd May* 1941, *from the Secretary, Central Board of Revenue, New Delhi, to Chamber.*

With reference to your letter No. 636, dated the 14th March 1941, I am directed to reply as follows to the points raised therein :—

2. **Registration of a firm on its dissolution or its succession by a new firm.** The question of suitably amending rules 2 to 6 of the Income-tax Rules, 1922 is under consideration.

3. **Assessment of joint ventures.** Instructions are being issued that profits of temporary non-recurring joint ventures of short duration should be assessed in the hands of the partners.

4. **Rectification of mistakes.** It is not necessary to provide for an appeal against rectification of mistakes under section 35 as the Income-tax Officer or other authorities confine themselves only to the rectification of clerical errors *apparent from the record.*

5. **Dividend income.** Instructions have already been issued that if shares are purchased cum-dividend and the certificate is in the name of the seller, a refund should be allowed to the purchaser on the production of the certificate duly endorsed by the seller. Instructions have also been issued that a certificate in support of sales countersigned by a responsible official of a Stock Exchange and furnishing the necessary particulars should be accepted in lieu of a company's dividend certificates for allowing refund to the vendee if the transfer is not effected in his name. It will be observed that in the absence of a certificate the income cannot be left unassessed and that under Section 18(5) of the Act, credit has to be given for the amount of tax by which a dividend is grossed. If credit is to be given for tax, there must be some voucher or evidence in support to ensure that credit is not given twice for the same tax. The Board hopes that this explanation of position will satisfy the Chamber. I am to request, however, that if they are not satisfied the Board would be glad to be advised of any other method which will ensure that credit for income-tax is not given more than once in respect of the same dividends.

APPENDIX 53

Revision of Section 35 of the Indian Income-tax Act on lines of Section 24 of the English Finance Act, 1923.

Letter No. 2275, dated 12th September 1941, from Chamber to the Secretary, Central Board of Revenue, New Delhi.

I am desired by my Committee to bring urgently to the notice of Government the following legitimate grievance of the taxpaying public to the narrow, restrictive and defective nature of the "error and mistake" provision under the Indian Income-tax Act.

The power conferred upon the Income-tax authorities under Section 35 is confined to rectifying a mistake or an error, patent or apparent from the record of these authorities, and is, therefore, restricted to the rectification of clerical errors *apparent from the records only* (*vide* Central Board of Revenue's letter to this Chamber dated 23rd May 1941). It does not extend to any mistake or error in the return, statements or other evidence filed by the assessee. Thus, the scope of this Section is very much narrower than the scope of a similar Section under the U. K. Act. Further, under the Indian Section the refusal of the Income-tax Officer to rectify a mistake upon the application of the assessee or an enhancement of the tax under this section by the Officer himself, are not subject to any appeal, with the result that the assessee is left without any remedy under the above circumstances.

Section 24 of the Finance Act, 1923, which deals with the relief in respect of any error or mistake, runs as below :

> "If any person who has paid tax charged under an assessment to income-tax made for any year under Schedule D (i.e. business) . . . alleges that the assessment was excessive by reason of some error or mistake in the return or statement made by him for the purpose of the assessment, he may at any time within six years after the end of the year of assessment was made make an application

to the Commissioner of Inland Revenue for relief. [Sec. 24(1)].

On receiving any such application the Commissioners of Inland Revenue shall inquire into the matter and shall, subject to the provision of this Section, give by way of repayment such relief (including any consequential relief from super tax) in respect of the error or mistake as is reasonable and just. [Section 24(2)].

Any person aggrieved by the determination of the Commissioners of Inland Revenue on an application made by him under this Section may, on giving notice in writing to those Commissioners within 21 days after the notification to him of their determination, appeal to the Special Commissioners. [Section 24(4)].

The Special Commissioners shall thereupon hear and determine the appeal in accordance with the principles to be followed by Commissioners of Inland Revenue in determining applications under this Section, and, subject thereto, in like manner as in the case of an appeal to them against an assessment under Schedule D and the provisions of the Income-tax Acts relating to such an appeal (including the provisions relating to the statements of a case for the opinion of the High Court on a point of law) shall apply accordingly with any necessary modifications. [Section 24(5)].

Typical cases in which repayment under this Section has been made include the following :

(*a*) Omission to claim for certain admissible expense, e.g. depreciation not claimed in accounts or net annual value of business premises owned by the trader not deducted. Omission to claim expenses under Schedule E would fall within the Section as well as omissions from accounts or returns under Schedule D.

(*b*) Omission to indicate that among an item of untaxed interest was some building society interest which should not have been included in the assessment on the interest under Case III of Schedule D.

(*c*) Item returned as income which was clearly of a capital nature.

(*d*) A trader having included extraneous receipts (e.g. betting profits) in his takings.

(*e*) Purchases having been understated by reasons of the omission of invoices.

(*f*) Errors in stock sheets.

(*g*) Duplication of amounts in lists of sundry debtors of the inclusion therein of bad debts previously written off.

(*h*) The return of an item of income which was legally the income of an exempt person.

(*i*) Taxed interest or dividends accidentally included in takings.

(TAXATION, dated 19th April 1941).

It will, therefore, be readily recognised that contrasted with the very wide scope of the "error and mistake" provision, the Indian Section 35 is very narrow, restrictive and deficient. There is no reason why an assessee who has made a *bona fide* mistake in any return, statement or evidence filed by him or inadvertently omitted to claim his legitimate allowances and deductions should be penalised by Government. The object of every fiscal legislation should be to collect the legitimate tax from the taxpayer and no more. The object could never be to penalise or take advantage of his error, mistake or ignorance. In this connection it may be pointed out that under Section 20 of the Excess Profits Tax Act, discretion is given to the Commissioner to rectify any mistake in any evidence recorded during assessment and there is no reason why Section 35 of the Indian Income-tax Act should not be brought into line with the English Act or at all events with Section 20 of the Excess Profits Tax Act.

My Committee, therefore, urgently request your Board to take an early opportunity to amend Section 35 on the lines of the enlightened English Act, and thereby remove a legitimate grievance of the taxpaying public.

APPENDIX 54

Professional People and Disallowance of Loss in Business by Income-tax Authorities.

Letter No. 2870, dated 15th November 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

My Committee are given to understand that recently the Income-tax Department have taken the view that professional assessees such as engineers, doctors, accountants and others are not to be allowed any losses incurred by them in respect of transactions on the Stock Exchange or as a result of speculation in shares, cotton, etc. My Committee would like to have information as to the procedure laid down for the purpose of treating both profits and gains and losses of assessees whose main source of income may be from a profession. If the procedure laid down is that the professionals are to be taxed on profits made by them in such business, it then stands to reason that they should be allowed losses also. It is desirable to have a uniform practice in regard to such assessments. My Committee would like to know the Departmental view in this matter. What is important, however, is that a general practice should be laid down and once profits are assessed, losses should also be allowed, as a matter of course.

Letter No. D.Dis.No. 27(99)-I.T.|41, dated 5th January 1942, from the Secretary, Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letter No. 2870, dated the 15th November 1941, regarding speculation losses, I am directed to observe that for obvious reasons no hard and fast rule can be laid down on its merits. But as a practical test, however, the Board has laid down that where a person engaged in business enters into speculative transactions pertaining to his usual line of trade, he should be regarded as carrying on business in respect of such speculative transactions any profit or loss arising therefrom being included in the assessment made on his income. This applies equally to brokers. But where a person

undertakes isolated speculative transactions in shares, commodities, etc., which lie quite outside his usual line of business, if any, and makes a profit or loss thereby, such profit or loss should not be held as arising from a business, profession or vocation.

APPENDIX 55

Co-operative Societies and Exemption from E. P. T.

Letter No. 2872, dated 15th November 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

By a notification under Section 60 of the Indian Income-tax Act the profits or gains of a Co-operative Society other than profits from investments, dividends, etc., are exempt from income-tax. The purpose of the exemption obviously is to encourage the co-operative movement which is recognised as beneficial in the larger interests of the country. It may incidentally be pointed out that Co-operative Societies have been granted certain other privileges and are also exempt from other levies such as Stamp Duty etc. The object underlying all these privileges is encouragement for the co-operative movement in the country.

It is reasonable to suggest that the same object holds good in respect of the levy of the Excess Profits Tax also. The E. P. T. is based on income-tax principles and the natural presumption was that the exemption for purposes of income-tax did extend to E. P. T. My Committee, however, are informed that as the notification in question, under which the exemption is granted, refers specifically only to Income-tax and Super-tax, it is not taken by the Department to include the E. P. T. also.

My Committee, therefore, request that necessary steps be taken to extend the exemption to E. P. T. also by the issue of a notification or by departmental instructions.

Letter No. D.A.Dis.No. 13(21)-E.P.|41, dated 20th November 1941, from Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2892, dated the 14-15th November 1941, I am directed to say that your Committee has been misinformed and that instructions have already been issued that no Co-operative Society falling within the description given in paragraph (2) of Part II of the exemption notified under section 60 of the Indian Income-tax Act, 1922 (as set out on pages 184-185 of the Eighth Edition of the Income-tax Manual) should be assessed to Excess Profits Tax.

APPENDIX 56

Relief under Section 25(3) of the Income-tax Act.

Letter No. 2869, dated 15th November 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed by my Committee to bring to the notice of the Central Board of Revenue an anomaly under which dividends paid to shareholders out of profits exempted under Section 23(4) are not so exempt in the hands of the shareholders themselves.

Where the business of a firm which was chargeable under the Act of 1918 is discontinued under Section 25(3) or is succeeded to by another under Section 25(4) the profits of the previous year, by substitution of the profits of the broken period since the last date of the previous year, are exempted. A difficulty was experienced by reason of the Section 14(2) of the old Act under which proportionate share of partners were exempted from tax only, if the firm had been assessed to tax and not otherwise. The result was that it was possible to interpret Section 25(3) read with Section 14(2)(*b*) so as to mean that that which was exempt in the hands of the firm was not necessarily exempt in the hands of the partners. With a view to avoid such an anomaly Government issued a notification exempting from income-tax, though not from super-tax,

such proportionate share of the partner of the firm in the profits exempted under Section 25(3).

Section 25(3) applies both to a company as well as a firm. While, as mentioned above, in the case of a firm relief to a partner in the above circumstances has been granted by the issue of a notification, no similar relief is being granted to the shareholder of a company which had discontinued its business. By the Amendment Act of 1939 dividend income of a shareholder is not exempt from tax. He is thus directly liable on all dividend income and credit shall be given to him against this dividend only to the extent the company has paid tax. If the company under Section 25(3) cannot be called upon to pay tax, it stands to reason that the shareholder should also be similarly exempted from tax. My Committee, therefore, request that the Central Board will be pleased to consider the above points and to issue a notification under Section 60 exempting that part of the dividend income paid to a shareholder out of the profits exempted under Section 25(3).

Letter No. 4(40)-I.T.|41, dated 3rd December 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letter No. 2869, dated the 15th November 1941, I am directed to say that the Central Government has no power to grant the exemption asked for. In this connection Section 60(3) may be referred to. The only way in which exemption can be granted is by an amendment of the Act, but such an amendment would not be worth making now in view of the recent amendment to Section 25 restricting the relief under this section to a very small class of companies.

APPENDIX 57

Income-tax Difficulties.

Letter No. 868, dated 9th April 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

The attention of my Committee has been drawn to certain difficulties experienced by assessees in the matter of the interpretation of certain provisions of the Income-tax Act or the administration thereof.

1. Vacancy Allowance :

Section 9 of the Income-tax Act was amended towards the end of the last year by which it was provided that the relief in respect of vacancy should be allowed on the basis of the gross annual value, instead of on the net value as in the past. The amendment in question came into force on 3rd December 1940 and therefore in all assessments thereafter the relief would be allowed on the gross value. There may have been many assessments for the year 1940-41 which would have been completed before the coming into force of the amended provision. Assessees whose cases were kept pending and whose assessments were not completed before 3rd December 1940 would automatically get the benefit of the amendment. My Committee hope that relief will also be given to all assessments pertaining to the year 1940-41 although completed before the coming into force of the amended provision. It is but fair that such assessees should not be made to suffer because they were prompt in making the necessary payment in terms of the assessment.

2. Appellate Assistant Commissioner's Orders :

It has been pointed out to my Committee that the decisions of the Income-tax Appellate Authorities are not being uniformly respected by the Income-tax officers and in subsequent years the same grounds of assessment which might have been reversed in appeal proceedings, are being adhered

to by the officers with the result that the assessees are compelled to go again in appeal on almost the same or identical points. In Courts of Law the decisions of the higher authority are, as a matter of course, followed by lower authorities even though the lower authorities may be of a different opinion. This salutary principle should be strictly observed in Income-tax proceedings also and my Committee suggest that instructions may be issued that any decisions in appellate proceedings should be deemed as a matter of guidance for Income-tax officers in subsequent assessments.

3. Hindu Undivided Family and Registration :

Partnership registrations granted to firms which originated from Hindu Joint Families are, it appears, in some cases being challenged in subsequent years and such partnerships are asked to adduce fresh proofs of actual partition. The Income-tax officers are reluctant to accept what amounts to a *de facto* partition under the Hindu Law. They insist upon regular partition deeds and are not prepared to recognise even the affidavits of all the adult co-partners of the family testifying the partition. It is necessay that when *prima facie* proof of *de facto* partition under the requirements of Hindu Law is presented to the Income-tax authorities the same should be accepted and the benefit of registration given to such firms.

4. My Committee have received information that Income-tax officers are not allowing the Urban Immovable Property Tax paid in Bombay as a deduction in connection with assessments of property income under Section 10. It may be recalled that this point was discussed at a meeting which Mr. J. F. Sheehy, Member, Central Board of Revenue, had with one of the commercial associations in Bombay and he conceded that, while for assessments under Section 9, amounts paid as Property Tax could not be claimed as an allowance, the same could be claimed as a deduction for assessments under Section 10. In view of this assurance, it is necessary that the point be clarified by the issue of Departmental instructions.

5. Investments:

It appears that Income-tax officers are of late treating profits on sale of investments as Revenue profits for the year and thus making the same liable to tax. It may be mentioned that in the past in cases of losses on account of depreciation on investments such losses were not being allowed. There is, therefore, no justification for treating such capital accretion as profits for the purpose of the tax.

My Committee hope that the above points will receive the sympathetic consideration of Government.

Letter No. 29(46)-I.T.|41, dated 5th May 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letter No. 868, dated the 9th April 1941, I am directed to say that the Board regrets that the benefit of the recent amendment to Section 9 cannot be extended to assessees whose cases were decided before the amendment came into force and in the absence of specific provision to this effect the amendment cannot be applied retrospectively.

2. As regards the admissibility of Urban Property Tax in computing income under the head 'business', Clause (ix) of sub-section (2) of Section 10 is quite clear and instructions on the point would seem to be hardly necessary.

3. The question of the assessment of profits arising from the sale of investments is receiving the Board's attention.

Letter No. 1143, dated 16th May 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I beg to acknowledge receipt of your letter No. 29(46)-I.T./41, dated the 5th May 1941 in reply to certain points raised by my Committee in their letter No. 868 of the 9th April, the contents of which have been noted by my Committee.

In my letter of the 9th April there were certain other points, viz. (1) "Appellate Assistant Commissioner's Orders" and (2) "Hindu Undivided Family and Registration." No reference is made in your letter to these points. I presume that a separate communication will be sent to this office in regard to these questions.

Letter No. 29(46)-I.T.|41, dated 9th July 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to paragraph 2 of your letter No. 1143, dated the 16th May 1941, I am directed to say that these points were also raised by the Federation of Indian Merchants' Chamber and I am now to reply as follows :——

1. **Appellate Assistant Commissioner's orders.** Legally there is no *res judicata* but an appellate order is seldom dissented from unless there is ample material for doing so.
2. **Hindu Undivided Family and Registration.** The complaint is that even though disruption of a family had been accepted in the past and a partnership of the members registered, registration is now refused on the ground that they are joint family and not partnership concerns.

Such an investigation is made only in cases where owing to the subsequent conduct of the parties or to other evidence there is good reason to believe that the partition on the basis of which registration was claimed in the past did not in fact take place, as for example, in cases where individual members of a family enter into partnerships with others in their individual capacity though the entire capital and control remains with the family. It is but reasonable to hold in such cases that the shares in these partnerships are not held by the members in their individual capacity but as members of the joint Hindu family.

Sub-section (1) of Section 25-A was amended in 1939 by omitting the words "that a separation of the members of the

family has taken place". The crucial point now is that there must be an unequivocal 'partition' of the family property though not necessarily by metes and bounds. The discussion on this section in the Assembly makes it perfectly clear that the Chambers' claim that "a clear intention to dissolve the joint family is enough to constitute partition" and should be accepted for the purposes of Section 25-A(1) cannot be conceded.

Letter No. 2014, *dated* 18*th August* 1941, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

I am directed to refer to your letter dated the 9th July 1941, regarding Hindu Undivided Family and Registration wherein you have not acceded to the suggestion made by my Committee in this regard in their letter, dated the 9th April, addressed to you. My Committee, however, are still of the opinion that where dissolution of a joint family had been accepted in the past and the partnership of the members registered, registration should not be refused in a subsequent year. My Committee urge that the Board will be pleased to reconsider their letter under reference and to grant registration to such firms in the case of which dissolution of a joint family had been accepted in the past and the partnership of the members registered.

APPENDIX 58

Liability to Tax of Amounts Refunded to the Second Preference Shareholders of the Tata Iron & Steel Co., Ltd.

Letter No. 2967, *dated* 24*th November* 1941, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

I am directed by my Committee to address you on the question of the liability to income-tax and super-tax of amounts refunded by the Tata Iron & Steel Co., Ltd., to its shareholders

in pursuance of the decision of the High Court of Bombay in the case Bai Lalita *vs.* the Tata Iron & Steel Co., Ltd., reported in 1940 I.T.R. 337.

From the year 1926-27 upto the year 1935-36, the Company paid dividends as well as arrears of dividend to its second preference shareholders, after deducting income-tax from the same. The Company also issued to each such shareholder a certificate, as provided under Section 20 of the Income-tax Act, regarding tax deducted from the payments made. The Company, however, did not pay any income-tax from the years 1925-26 to 1934-35, because the profits for each of those years were absorbed by the depreciation allowance and arrears thereof. The action of the Company in so deducting the tax from the amount of the dividend, when as a matter of fact no tax was paid by the Company, was challenged in a Court of Law, and on the facts of the case, the Court decided that the contract between the second preference shareholders and the Company required the Company to pay full dividend of 7½% for each year when profits so permitted, but for any year in which the Company was liable to income-tax, it could deduct tax at the standard rate leaving the shareholders to claim refund from Government in a proper case and when no tax was payable by the Company there was no right in the Company to deduct same.

Pursuant to the above decision, the Company has refunded to its shareholders the amount of tax deducted for the various years. Question now arises as to whether the said amount is liable to income-tax and super-tax, as dividend in the hands of the shareholder and it would appear that the Income-tax officers are including the same in the assessable income as dividend for the year in which the refund was received.

In the opinion of my Committee, the amount thus refunded is not liable to tax. In the case of a company, the tax has to be paid by the company direct and not on behalf of the shareholders inasmuch as the scheme of the Indian Income-tax Act is that the Company is assessed to income-tax on its profits. Further, the refund payments do not represent profits

or part of the profits of the Company for the year during which the amounts were refunded, nor were they distributed as dividends out of the profits of the previous year. The amounts had to be refunded according to the judgment of the Court, the Company had retained the same in order to discharge its liability to payment of tax though the Company had no justification for making any such deduction. The refund was ordered on the basis of compensation for breach of a contract. Moreover, during the years 1925-26 to 1934-35, the shareholders concerned were taxed by the Department on the gross amount of Rs. 7-8 on the strength of the certificates issued by the Company under Section 20 of the Act, which certificates the Company was not bound to issue, as it was not subject to any tax properly deductable from the said dividends. Having regard to the facts of the case and the existing provisions of the law, my Committee are of opinion that the refund of income-tax wrongly deducted under the above circumstances is not liable to income-tax and super-tax in the hands of the shareholders inasmuch as it is in the nature of a capital receipt and not income.

My Committee request, therefore, that the point be examined by the Central Board of Revenue and necessary instructions be issued to the Income-tax officers not to include the above refunds for purposes of ascertaining the assessable income in the year of receipt.

Letter No. D. Dis. No. 41 (5)-I.T.|41, dated 9th December 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letter No. 2967, dated the 22nd/24th November 1941, regarding the amounts paid by the Tata Iron and Steel Co., Ltd., to its preference shareholders, I am directed to state that since the amounts now paid by the Company in pursuance of the High Court decision are with a view to making up the deficiency in the dividend paid in previous years, they cannot be treated as capital in the hands of the shareholders.

APPENDIX 59

Assessment of Unrecognised Pension Funds.

Letter No. 1750, dated 24th July 1941, from Chamber to the Central Board of Revenue, Government of India, Simla.

Under Chapter IX-B of the Income-tax Act, provision is made for exempting accretions to recognised pension funds from tax. Unrecognised pension funds, however, are not so exempt. Such funds are taxed on the surplus of their receipts over expenditure each year. This basis of assessment has not given due consideration to the fundamental principle on which pension funds are built up. The funds in question could only be assessed on the basis of an Actuarial valuation, as in the case of life annuity business. The main sources of receipts for the funds are contributions from employees and from the employers together with the interest earned on the balance of the funds. When the fund receives contributions, it simultaneously undertakes to pay the subscriber pension on his retirement in accordance with the rules in force as also to refund the contributions under certain circumstances. It is, therefore, not proper to view the contributions from the employees as well as from the employers as income for the purpose of Income-tax without setting off there—against the liability undertaken simultaneously to offer certain benefits to the contributaries. Just as in the case of an annuity business taxation must be on the surplus based on an actuarial valuation and not on the aggregate of the contributions.

My Committee, therefore, submit that the present basis of charging tax on such funds should be modified and a system of taxation on surplus as disclosed by an Actuarial valuation should be introduced.

Perhaps, in consultation with the Superintendent of Insurance, the Board may be able to evolve a scheme of correct valuation of surplus of a pension fund and prescribe a basis for taxing such surplus which would be fair and equitable.

Treatment of Appreciation not taken to Revenue Account

Where appreciation on investment has been adjusted by merely a book entry i.e. by crediting investment reserve and debiting investment account, but is not taken either to the Revenue Account nor adjusted in the actuarial balance sheet, it in no way affects the valuation of the surplus. It would, therefore, not be proper for the Income-tax Authorities to increase the surplus shown by the valuation by the amount of the book adjustment in regard to appreciation in the value of investments. The word 'accounts' in Rule 3(*b*) Schedule I of the Income-tax Act refers, in the opinion of my Committee, only to Revenue Account and not to balance sheet. Adjustments by way of book entries as referred to above should not be taken into account for the purpose of calculating surplus unless such adjustment is by way of adjustment to the Revenue Account.

My Committee request that the Board will be pleased to consider this matter and issue the necessary instructions to the Department.

Withdrawals from Reserve Fund

Under Rule 3 of the Rules for computations of the profits and gains of insurance business one half of the amounts paid to or reserved for or expended on behalf of policyholder shall be allowed as deduction. Difficulties have been experienced regarding the actual application of this provision. Where a company transfers during the year of account, say, Rs. 5 lakhs to the Reserve Fund, according to the Articles of Association of the Company, and withdraws, say, Rs. 7 lakhs in the same year to make up the amount of Rs. 22 lakhs proposed to be declared as bonus, the question arises as to whether the withdrawal of Rs. 7 lakhs from the Reserve Fund is deemed to come wholly out of the Reserve Fund Balance at the beginning of the year or whether the same is to be deemed first to come out of the sum of Rs. 5 lakhs transferred during the current year and only the balance of Rs. 2 lakhs is to be deemed as coming out of the opening balance of the Reserve Fund.

According to normal accounting principles, a fund is not drawn upon until the current year's profits are insufficient. This would mean, in the hypothetical case cited above, that only Rs. 2 lakhs have been drawn from the Reserve Fund and not the whole of the Rs. 7 lakhs. The determination of the quantum of reserve subject to taxation under the rule is meterially affected by the interpretation as to how the withdrawals or additions to the reserve are to be treated for the purpose of this calculation. Since half the bonus declared is allowed as deduction, the question naturally arises as to out of what surplus the bonus is deemed to be declared. The Income-tax Department, it appears, is inclined to view that what is drawn from the Reserve Fund comes first out of the opening balance and next out of the current year's surplus. Such a view is not in conformity with the general accounting principles and in the case of assessment of profits and gains of insurance business will materially affect the quantum of surplus liable to be taxed. It is, therefore, necessary that instructions should be issued that only such amounts as are drawn from the Reserve Fund to make up the deficiency should be taken into account for the purpose of arriving at the surplus for taxation under the rules.

Letter No. 44(21)-*I.T.*|41, *dated* 12*th September* 1941, *from the Central Board of Revenue, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 1750, dated the 24th July 1941, I am directed to say that the income of the "previous year" of an unapproved pension fund constituted under an irrevocable trust will be worked out on the basis of the actuarial valuation made for the last inter-valuation period, after elimination of the earlier surplus or deficit, as the case may be, credit being given for the tax deducted at source in the "previous year" against the tax assessed on the average surplus. In computing the surplus any expenditure other than expenditure admissible under the provisions of Section 10 will be disallowed.

The Board cannot, however, accept your suggestion that the Board should evolve a scheme of valuation in respect of the surplus of pension funds in consultation with the Superintendent of Insurance.

2. Replies to the other points raised in your letter are being sent separately.

APPENDIX 60

Amendment to Rule 7 of the Indian Income-tax Rules—Reduced Allowance in respect of Collection Charges.

Letter No. 803, *dated* 3*rd April* 1941, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

The attention of my Committee has been drawn to the Income-tax Notification No. 9, dated the 15th March 1941, containing the draft of an amendment to Rule 7 of the Indian Income-tax Rules. Under the said Rule at present a sum equal to 6% of the annual value of a property is allowed by way of collection charges. The draft rule proposes that this allowance of 6%, instead of being on the full annual value, should be on the annual value diminished by the amount allowed for vacancies. My Committee do not see any justification for this change. It cannot be suggested that if a property or any portion thereof is vacant no expenses are incurred in respect of the same by way of collection charges. It is neither practicable nor common to dispense with the staff employed for the purpose of collecting the income from the property or any portion thereof falling vacant and such expenses incidental to collection have to be incurred whether the property is fully or partly occupied. When vacancies do not, as a matter of course, lead to the reduction or abatement of such expenses, it is not fair to reduce the amount allowed for collection in the manner suggested in the notification.

My Committee are, therefore, strongly opposed to the amendment in question and hope that the same will not be given effect to.

Letter No. R. Dis. No. I-23|40, dated 1st July 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letters Nos. 754, dated the 2nd April 1941, 803, dated the 3rd April 1941, 1614, dated the 7th April 1941, 1021/M-92/41, dated the 10th April 1941, I am directed to say that on reconsideration the Board has decided not to amend Rule 7, of the Indian Income-tax Rules, 1922, but that the Income-tax Officer will normally act on the assumption that collection charges are proportionately diminished owing to vacancies, unless the assessee can satisfy him to the contrary.

APPENDIX 61

Allowance of Loss incurred on account of Goods on Enemy Ships.

Letter No. 527, dated 27th February 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

At the commencement of the present hostilities, Indian merchants had consigned to them on board several German steamers cargoes and goods, for which payments had already been made. Such vessels immediately after the declaration of the War, took refuge in neutral ports, and in particular many of them went to Italian ports.

On representations received from the merchants, the Central Government investigated the possibility of negotiating for the release of cargoes owned by Indian merchants, and ultimately in concert with His Majesty's Government, the London Chamber of Commerce was appointed as the Central Agent for the purpose of carrying on these negotiations. Such negotiations with the shipowners were, however, protracted and as large payments for ports of refuge expenses were demanded by those in charge of the ships no progress was made.

With the entry of Italy into the War, the whole position changed. The boats which had taken refuge in Italian ports,

which were till then considered as neutral ports for purposes of the negotiations, and the cargoes thereon were thus in enemy territory, and in terms of the prohibition contained in the Defence of India Rules, any negotiations for the release of the said cargo were made impossible. This position was recognised and admitted in a communique issued by the Government of India, in the Commerce Department, dated 20th June 1940, in the following words :—

> "In view of Italy's entry into the war, cargoes on board German ships which had taken refuge in ports in Italy or Italian possessions must now be treated as irrecoverable. . . ."

Thus, so far as cargoes on German boats in enemy ports are concerned, the same is and should be, for all practical purposes, deemed as irrecoverable and in consequence any payments which had already been made in respect thereof should be deemed as loss.

My Committee, however, understand that the Income-tax authorities are not admitting the above position and are not allowing such losses for purposes of assessment to tax, although they have been written off by the assessees concerned as irrecoverable. In terms of Section 10 of the Income-tax Act, in computing profits or gains allowance shall be made in respect of bad and doubtful debts estimated to be irrecoverable by the Income-tax Officer. Having regard, however, to the opinion expressed and advice tendered by the Central Government themselves in their above communique of the 20th June 1940 that goods on enemy ships stranded in enemy ports should be deemed as irrecoverable, it is reasonable to expect that the Income-tax Officer should also accept the same view and position and should treat amounts involved as irrecoverable. It is suggested that the justification for the position taken up by the Income-tax Officers is that the war has only led to the suspension of the contracts in question and that the ultimate loss can be determined only at the end of the war, when the result of all attempts to secure redress or compensation is known. Such a view, my Committee submit, is unfair and

untenable. As matters stand at present, the chances of recovering the goods in question or the value thereof are very remote.

It is pertinent to recall that in discussing the complaints against the treatment of bad debts by the Income-tax Officers, the Income-tax Enquiry Committee made the following remarks :—

> " In some cases, it appeared to us that the efforts of the Income-tax Officer were directed towards the discovery of technical objections to allowance rather than to the determination as a fact whether or not the debt claimed was actually irrecoverable."

My Committee submit that instead of trying to technically justify their stand, the Income-tax authorities should really look at the matter from a practical point of view and assure themselves whether in fact the amounts represented by these goods can reasonably be recovered.

In this connection, the following summary of remarks in an Appeal Court judgment in the U. K. in respect of claim against insurance companies for British cargoes on German vessels will be of interest :—

> ". . . The Court unanimously held that the appellants (i.e. the cargo owners) are entitled to recover and that all three appeals must be allowed. It was ruled that when the ships were deviated from their normal contractual course towards a port of refuge, the German Government, through the Masters, received actual possession of the British-owned goods and thereafter retained it. There was a restraint of Princes and a contingent deprivation. When the ships left the neutral port, if not before, or if the German Government's orders compelled the Masters at any time finally to abandon the commercial voyage, that Government then took absolute and not conditional possession and was guilty—to apply a metaphor in English Common Law—of converting the goods to its own use. When that happened, if not before, there was a loss

not merely of the adventure, but of the goods themselves. . . ." (*Vide* pages 631/632, *The Chamber of Commerce Journal*, London, December 1940 issue).

Even if ultimately some of these claims are recovered after the war, although present indications are against any such assumption, the position of the Revenue is safeguarded by the proviso to Section 10(2)(xi), under which the amount so recovered shall be deemed to be profits of the year in which it is recovered and shall as such be assessable to tax at that time. There is, therefore, no likelihood of such recovered amounts, if any, escaping tax.

It may be mentioned in passing that if the amounts of loss on account of goods on enemy ships are not allowed at present, over and above the liability to income-tax, there would be an artificial inflation of profits for purposes of the Excess Profits Tax.

Under the circumstances, my Committee request the Central Board of Revenue to be pleased to issue instructions to deem such losses on account of goods on enemy ships as irrecoverable and to allow the same in computing income for purposes of income-tax.

Letter No. D. Dis. No. 27(18)-I.T.|41, dated 26th May 1941, from the Central Board of Revenue, Government of India, Simla, to Chamber.

With reference to your letter No. 527, dated the 27th February 1941, I am directed to say that it is not possible until after the end of the present hostilities, to say whether any losses will be incurred and, if so, what the extent of the loss is likely to be in respect of goods believed to be confiscated or destroyed or goods in enemy vessels which have taken refuge in neutral ports. Legal difficulties are also anticipated if any receipts subsequently recovered in respect of these goods are sought to be taxed as the income of the year of receipt even though an undertaking may be given by assessees that such receipts may be so treated by the Department. In view of this the Board considers that no final allowance in respect

of such anticipated losses can be made at present and that profits should be computed without such an allowance. The Board would be prepared, however, to agree in view of the exceptional circumstances of the case to the immediate payment of tax being required only in respect of the liability that would arise, had these anticipated losses actually materialised and been allowed. In respect of the balance of the tax outstanding, the Income-tax Officers will take necessary steps to start formal recovery proceedings in time, the assessees being allowed to file an appeal in respect of such losses not allowed, the appeal being finally decided when the loss is finally determined. This procedure involves no hardship and is fair both to the revenue and the assessee.

Letter No. 1504, *dated 2nd July* 1941, *from Chamber to the Central Board of Revenue, Government of India, Simla.*

I am directed by my Committee to acknowledge the receipt of your letter No. D. Dis. No. 27(18)-I.T./41, dated the 26th May on the above subject. In this connection, I am desired to draw your attention to the following extract from a report appearing in the issue of the *Journal of the London Chamber of Commerce* for April 1941, of the discussion which the joint Committee of the Association of the British Chambers of Commerce had with the Inland Board of Revenue in regard to matters arising out of the Excess Profits Tax.

> "The Board explained their attitude to the treatment of enemy debts, including debts of enemy-occupied territories, namely, that if the debts were clearly bad they would be allowed, and if the position were unknown, collection of the appropriate tax would be suspended. The Board would be prepared to consider any alternative solution suggested in particular cases for overcoming the suggested difficulty in applying this treatment in the case of groups of companies."

According to this report, the practice adopted in the United Kingdom appears to be that where the position of the debt is unknown, collection of the tax would be suspended ;

but in cases where the debts were clearly bad, they would be allowed. My Committee suggest that the same procedure should be introduced in this country also. Where the Department is reasonably satisfied about the debt or the loss, the same should be immediately allowed ; suspension of the collection of the tax should apply only in cases where the position of the debt or the loss is uncertain. My Committee hope that the Central Board will be pleased to modify the procedure in this country also on the above lines.

My Committee further wish to suggest that the relief that may ultimately be provided in regard to this matter should be extended to those persons who may have already paid income-tax, super-tax and excess profits tax on such portion of their profits represented by enemy debts.

My Committee presume that the relief under contemplation covers not only excess profits tax but also income-tax and super-tax.

Letter No. 27(18)-*I.T.*|41, *dated* 19*th August* 1941, *from the Central Board of Revenue, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 1503, dated 2nd July 1941, I am directed to say that the instructions contained in the Board's letter D. Dis. No. 27(18) I.T./41, dated 30th May 1941, relate to contingent losses which have *not been ascertained.* Where however a loss has become an ascertained fact in the accounting period or even at a later stage at the time of assessment it will be allowed as a deduction in conformity with the practice in the U. K.

Letter No. 2871, *dated* 15*th November* 1941, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

I am directed to invite a reference to the correspondence on the above subject ending with your letter No. 27(18) I.T./41, dated the 19th August 1941. You observed therein that " where a loss had become an ascertained fact in the accounting

period or even at a later stage at the time of assessment, it would be allowed as deduction in conformity with the practice in the U. K." The attention of my Committee has been drawn to the following note appearing in the "Accountancy", the *Journal of the Incorporated Accountants*, in its issue for the month of July 1941. On page 179 thereof it is observed that "there appears to be a change in the attitude of the revenue towards frozen debts. Hitherto it has been the custom to make no deduction for these, but to hold over the collection of tax. But it now seems that the Crown is prepared to allow as bad in proper cases, subject to the taxpayer undertaking to bring them into credit if recovered." My Committee submit that the same practice should be introduced in this country also and that the Department should be instructed to allow such debts subject, of course, to the safeguard that in case of recovery at a future date, the taxpayer should be prepared to bear the liability to tax in respect of such amounts. My Committee request that Government will be pleased to consider the above matter sympathetically and to issue the necessary instructions with a view to bringing the practice here in conformity with that obtaining in the U. K.

APPENDIX 62

Relief in Rate under Section 6 of the Indian Finance Act, 1939.

Letter No. 1746, dated 23rd July 1941, from Chamber to the Central Board of Revenue, Government of India, Simla.

Under Section 18 of the Indian Income-tax Act where a dividend payable to a non-resident shareholder exceeds the maximum which is not chargeable to super-tax the company paying the dividend is required to deduct super-tax at the time of payment. In the case, however, of a resident assessee, super-tax in respect of such dividend income is not so deductable at source and is paid by him at the time of the assessment of his income as a whole. The above difference in the basis of collection has led to an anomaly in so far as the relief

contemplated under Section 6(4)(*b*) of the Indian Finance Act, 1939 is concerned. In 1939 the rate of super-tax was increased ; it has, however, been provided that in the case of assessees, individual or Hindu Undivided Family, who have more than half the total income derived in the form of interest or dividends in respect of which super-tax had been deducted at source, the said tax shall be payable at the old rates. As super-tax is deducted at source under Section 18 only in the case of non-residents, the obvious result is that the relief in question is available only to non-resident assessees and resident assessees are obliged to pay tax at the increased rate.

My Committee feel that there cannot be any justification for subjecting a resident assessee to a higher rate of tax than a non-resident assessee in respect of income derived under identical conditions. My Committee feel that the relief contemplated under Section 6, sub-section 4(*b*) of the Finance Act should be equally available to resident assessees. They request that the Board will be pleased to examine this point and to take necessary steps which would place the resident assessees in the above case on a footing of equality with the non-resident.

Letter No. D. A. Dis. 29(93)-*I.T.*|41, *dated* 12*th August* 1941, *from the Central Board of Revenue, Government of India, New Delhi, to Chamber*

With reference to your letter No. 1746, dated the 23rd July 1941, I am directed to state that the anomaly referred to by you could be removed only by an amendment of the Indian Finance Act, 1939. The Board considers that it is too late now to take steps in that direction.

Letter No. 2064, *dated* 21*st August* 1941, *from Chamber to the Finance Department, Government of India, Simla.*

I am directed to send to you herewith copies of the correspondence that has passed between this Chamber and the Central Board of Revenue on the above subject. The Central Board of Revenue now state that the anomaly referred to by the Committee could be removed only by an amendment of

the Indian Finance Act, 1939. In view of this, my Committee request you to be pleased to move the Government of India to have an amendment of the Indian Finance Act, 1939, with regard to this point as soon as possible, in order that the injustices done to the resident assessee in connection with the levy of the super-tax may be removed.

Letter No. D. 4198-B., dated 23rd September 1941, from the Finance Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2064, dated the 21st August 1941, I am directed to state that the Government of India do not see any reason for altering the decision of the Central Board of Revenue as already communicated to you.

APPENDIX 63

Income-tax Appellate Tribunal.

Letter No. 1089, dated 5th May 1941, from Chamber to the Central Board of Revenue, Government of India, Simla.

I am directed by the Committee of this Chamber to address you in connection with the fee of Rs. 100 prescribed for an appeal to the above Tribunal. My Committee consider this amount to be very high, particularly in the case of small assessees. In a case where the amount of tax involved is Rs. 500 or under, the assessee would naturally be very reluctant to undergo the expenditure of Rs. 100 in the shape of Court Fees alone, and as such would prefer to submit to the assessment although he might not be satisfied about the same. It is necessary that relief by way of an appeal to the Tribunal should be made easy and available for smaller assessees also, and in order to facilitate this, my Committee suggest that a system of graded scale of fees be introduced. In their opinion, the grade should range between Rs. 15 for claims of Rs. 500 and under, and the maximum in the grade should be Rs. 100. They hope that Government will be pleased to consider the

above suggestion favourably and modify the rules in question introducing a system of graded fees accordingly.

Again, if an appeal in respect of the same assessment has to be filed on two different counts, i.e., under two different Sections of the Act, it would appear that each count will be treated as a separate case and fees recovered accordingly. My Committee feel that such a procedure is not justified and recommend that all issues in respect of one and the same assessment should be treated as a single case.

Letter No. D. A. Dis. No. 5(4)-I.T.|41, dated 5th June 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letter No. 1089, dated the 5th May 1941, on the above subject, I am directed to state that Section 33(3) of the Income-tax Act providing for the payment of a fee of Rs. 100 in respect of each appeal to the Appellate Tribunal was notified as the result of the suggestion made by the Select Committee on the Indian Income-tax (Amendment) Bill, 1938, to the effect that "a substantial fee should be imposed in order to discourage petty or frivolous appeals and ensure that a large body of appeals will be disposed of finally by Appellate Assistant Commissioners". Attention is also invited in this connection to the discussions on the Income-tax (Amendment) Bill in the Legislative Assembly on the 10th December 1938 (relevant extract enclosed) particularly Dr. P. N. Banerjea's amendment to the effect that the fee in the case of small assessees with an income not exceeding Rs. 5,000 should be Rs. 50 and in other cases Rs. 100. This amendment was negatived by the Assembly and the Board regrets, therefore, that it cannot accept your Chamber's suggestion for the introduction of a graded scale of fees. Nor can it accept the suggestion made in paragraph 2 of your letter as that would involve a relaxation of a statutory requirement.

Dr. P. N. Banerjea: Sir, I move:

"That in amendment No. 51, in the proposed clause 83, in sub-section (3) of Section 33, for the words 'of one

hundred rupees' the following words be substituted :

'of fifty rupees in case of an appeal on an assessment of a total income not exceeding five thousand rupees and a fee of one hundred rupees in other cases'."

The object of my amendment is to fix a smaller fee in the case of poorer persons. It may happen that an assessee whose income is very small may feel a grievance against the decision of the Appellate Assistant Commissioner. In that case, it will be really prohibiting him from filing an appeal if the fee is fixed at Rs. 100. In order to give some relief, I suggest that in such small cases the fee should be Rs. 50. In all other cases, the fee should be Rs. 100. Sir, I move.

Mr. President (The Honourable Sir Abdur Rahim) : Amendment moved :

"That in amendment No. 51, in the proposed clause 83, in sub-section (3) of Section 33, for the words 'of one hundred rupees' the following words be substituted :

'of fifty rupees in case of an appeal on an assessment of a total income not exceeding five thousand rupees and a fee of one hundred rupees in other cases'."

Mr. J. F. Sheehy : Government oppose this amendment.

Mr. President (The Honourable Sir Abdur Rahim) : The question is :

"That in amendment No. 51, in the proposed clause 83, in sub-section (3) of Section 33, for the words 'of one hundred rupees' the following words be substituted :

'of fifty rupees in case of an appeal on an assessment of a total income not exceeding five thousand rupees and a fee of one hundred rupees in other case'."

The motion was negatived.

Letter No. 2455, dated 1st October, 1941, from Chamber to the Central Board of Revenue, Government of India, Simla.

I am directed by my Committee to request you to please give your favourable consideration to the question of fees for

preferring an appeal to the Appellate Tribunal. The rules of the Tribunal provide fees of Rs. 100 for every appeal. As it is, the fees of Rs. 100 have been found too high by the assessees whose income is between Rs. 10,000 and Rs. 15,000 and specially when it is found that the fees even in successful appeals are not refundable. But the incidence thereof becomes much more severe when the assessee is asked to pay not Rs. 100 but sums varying from Rs. 100 to Rs. 600 for one year's assessment. It happens that in one year's assessment, the assessment is made and disputed under several Sections of the Act, viz.—

1.	Appeal against an order under Sec.		27
			25(2)
3.	„	„	23-A
4.	„	„	28
5.	„	„	26-A
			refusing registration of partnership.
6.	„	„	Sec. 25(3) or 25(4).

Assessments are made, which involve the application of more than two or three Sections. In some assessments, sometimes all the six come into operation. Appeals are to be preferred against each of the orders passed under these different sections. This involves, therefore, payment of fees—Rs. 100 in each case. Thus resort to the Tribunal sometimes becomes impracticable if not impossible and the object with which the Tribunal was established is frustrated.

The other point arising out of this to which my Committee would like to draw your attention is that the decisions of the Tribunal are not reported with the result that an assessee resorts to the Tribunal on the same point decided adversely in another case. If this decision had been known to the assessee, he would not have preferred an appeal but would have saved the fees and the time of the Tribunal at the same time. Section 54 of the Act does come in the way of reporting these decisions, but the operation of this Section could be avoided by omitting the names of the appellants and publishing only the points involved and decisions pronounced thereon.

Letter No. D. Dis. No. 5(5)-I.T.|41, dated 22nd October 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2455, dated the 1st October 1941, on the above subject, I am directed to state that the views of your Chamber have been noted by the Board.

APPENDIX 64

Income-tax Appellate Tribunal—Registration of Partnerships.

Letter No. 2270, dated 12th September 1941, from Chamber to the Central Board of Revenue, Government of India, Simla.

I am directed to refer to the powers of the Income-tax Appellate Tribunal with regard to the admission of application for registration of partnership and to draw your attention to the rules in this connection which leave much to be desired. Rule 2(*c*) of the Income-tax Act provides that application for registration may be admitted even at the appellate stage with the permission of the Appellate Assistant Commissioner hearing an appeal under Section 30. The Appellate Tribunal, however, are not empowered to admit applications for registration after the expiry of time-limit prescribed while hearing an appeal against the orders of Appellate Assistant Commissioner against assessment, as Rule 2(*c*) specifically empowers Appellate Assistant Commissioners only and not the Income-tax Appellate Tribunal, to do so. This lacuna in the power of the Tribunal to admit such applications is acting as a great hardship to the assessees. My Committee, therefore, beg to urge that Rule 2(*c*) should be made applicable in case of admission of applications for registration of partnerships before the Income-tax Appellate Tribunal.

My Committee also beg to invite your attention to the draft amendment as published in the Income-tax Notification No. 16, dated the 24th May 1941 in connection with the registration of a firm on dissolution as also to their letter, dated

26th June in the same connection. They would like to have the views of the Board in this regard at an early date.

Letter No. D. Dis. No. 5(23)-I.T.|41, dated 13th November 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letter No. 2270, dated the 12th September 1941, I am directed to state that the Board does not consider it necessary that provision for applications for registration should be made at such a late stage as the appeal to the Tribunal. If an assessee has not claimed registration at the time of his assessment or appeal to the Appellate Assistant Commissioner, no hardship would be caused if he is not allowed to claim it later before the Tribunal.

2. As regards paragraph 2 of your letter under reply, I am to add that the notification amending rules 2 to 6 allowing a dissolved firm to apply for registration is issued in Gazette of India, dated 18th October 1941.

APPENDIX 65

Presentation of Appeals.

Letter No. 1542, dated 4th July 1941, from Chamber to the Registrar, Income-tax Appellate Tribunal, New Delhi.

The attention of my Committee has been drawn to the inconvenience caused to assessees by the Provisions in the rules regarding presentation of appeals to the Tribunal, which require that the Appeal should be presented either in person at Delhi or sent by post so as to reach the Registrar within the prescribed time-limit. The time allowed for filing an appeal is 60 days from the receipt of the Appellate Order. Thus, for an appeal to be in time when sent by post the papers must be posted from a place like Bombay 3 to 4 days earlier. In fact, therefore, the assessee gets only about 56 days' time for filing an appeal.

A branch of the Tribunal sits in Bombay for hearing appeals and there is an office in Bombay for this purpose. So, if provision can be made whereby an appeal can be filed in Bombay in respect of cases coming within the Bombay Circle, the time-limit of 60 days will be available in full. Besides, it would also be a facility to the assessees from Bombay.

My Committee believe that arrangements for receiving papers in Bombay can be made without any inconvenience to the Department.

APPENDIX 66

Time-Limit for Appeals before the Income-tax Appellate Tribunal.

Letter No. 2269, dated 12th September 1941, from Chamber to the Central Board of Revenue, Government of India, Simla.

I am directed to bring to your notice the following hardship which has been noticed in the actual working of the Act and which requires to be remedied by an early amendment of the same.

Under Section 33 of the Income-tax Act, which deals with appeals before the Appellate Tribunal against the orders of the Appellate Assistant Commissioners, sub-section (1) provides that the appeal must be filed within sixty days of the date on which the taxpayer is served with the notice of the order of the Appellate Assistant Commissioner.

My Committee are informed that the above provision is strictly observed with regard to the time-limit for filing appeals before the Tribunal without any relaxation even for a sufficient cause, viz. sickness, accident, etc., as contemplated under Section 5 of the Indian Limitation Act. In case of appeals under Section 30 the Appellate Assistant Commissioner may admit at his discretion an appeal even beyond the time prescribed. In case of reference to High Court an

application may be admitted under Section 66(7A) even after the time prescribed under Section 66(2) or 66(3). In case of appeal to the Tribunal there is, however, no similar power vested in the Appellate Tribunal to condone delay. My Committee, therefore, beg to urge that this omission to condone delay works to the great detriment of the assessee and should be remedied by an amendment of Section 33 by making Section 5 of the Limitation Act applicable to Section 23 also.

My Committee request that the Central Board of Revenue will be pleased to take into consideration the above points and move for an early amendment of the Section in question.

APPENDIX 67

Delay in Disposal of Claims for Refunds.

Letter No. 1090, *dated 5th May* 1941, *from Chamber to the Central Board of Revenue, Government of India, Simla.*

The delay that occurs in dealing with refund claims is a matter on which there have been many complaints. It may be mentioned that my Committee had occasion to discuss this matter with Mr. J. F. Sheehy, Member, Central Board of Revenue, when he met them on 12th July, 1939. Mr. Sheehy in his reply observed that instructions had been issued to expedite refund claims and that ordinarily efforts were being made to dispose of such claims within three months. He also added that the feasibility of introducing a system of provisional refunds would be looked into. The complaints, however, continue, and from recent information placed before my Committee it appears that refund claims are awaiting disposal for a long period.

In this connection, it is significant to recall that the Income-tax Enquiry Committee in referring to such complaints, observed that " the general attitude of officers of the Department to refund claims leaves much to be desired ".

Thus, notwithstanding repeated complaints and assurances that instructions would be issued to expedite the disposal of refund claims, matters have not so far improved. In the circumstances, my Committee urge upon Government the imperative necessity for more positive and definite instructions to the Department in this direction. They would, on this occasion, repeat the suggestion which they had once made that where a refund claim has not been paid within three months of the application, the Income-tax Department should be obliged to pay a specified rate of interest on the amount of the claim finally admitted. If such a provision is made, it will have a salutary effect and the Departmental officers will be careful in seeing that claims are not kept pending beyond the prescribed time.

Letter No. Misc. 72|41, dated 3rd July 1941, from the Commissioner of Income-tax, Bombay, to Chamber.

With reference to your letter No. 1090, dated the 5th of May 1941, addressed to the Central Board of Revenue, I have the honour to state that I have been instructed to discuss the matter with you and to investigate the cases which gave rise to the complaint. I should be grateful if you would supply me with such particulars as may be available with regard to individual cases and let me know when it would be convenient for you to come to my office.

Letter No. 1919, dated 9th August 1941, from Chamber to the Commissioner of Income-tax, Bombay.

With further reference to your letter No. Misc. 72/41, dated 3rd July 1941, I am sending to you herewith a list of pending refund cases in respect of which my Committee have received complaints.

I may add that in respect of two other cases in which similar complaints had been received, refund has since been granted. I am, therefore, not including the same in the list.—

	Name	*Date of application*
1.	Dr. Sumant V. Mody	26th July 1940
2.	Gangabai, widow of Narandas Keshavji	5th August 1940
3.	Amritlal Luxmichand Shah ..	19th August 1940
4.	Nurbhoy Jeewanjee Trust (Ex-Certificate)	2nd September 1940
5.	Mathuradas Narayandas	25th October 1940
6.	Radhagauri Girdharlal Kothari ..	12th December 1940
7.	Vithaldas Parmanand, Administrator of the Estate of Bai Valibai	13th January 1941
8.	Vithaldas Parmanand, Administrator of the Estate of Bai Mulibai Dhanji	14th January 1941
9.	Purshottam Andarji, Administrator of the Estate of Bai Dhanbai Bhagwandas	24th January 1941
10.	Jamnadas Pranjivandas	18th February 1941
11.	Deoji Tokersey, one of the Trustees of Shri Cutchi Visha Oosval and Halai Visha Oosval Famine Fund	19th February 1941
12.	Parbhudas Mulji	11th March 1941
13.	Jagjivan Dayal, Trustee of Shri Ratna Chintamani S. Jain Mitra Mandal	28th March 1941
14.	Chhotalal Kilachand, one of the Trustees of Chhaganlal Maganlal Anathashram	31st March 1941
15.	Purshotam Nathubhai	3rd May 1941
16.	Kalavati Natverlal Parikh ..	3rd May 1941
17.	Savitabai Lalbhai Mehta	13th May 1941
18.	Jadavji Khetsey, one of the Trustees of Bai Radhabai ..	28th June 1941
19.	Jayantilal Manilal and Ramanlal Bhogilal	1938-39
20.	Sorab H. Governor	October 1940

Letter No. 2192, *dated 6th September* 1941, *from Chamber to the Commissioner of Income-tax, Bombay.*

Further to my communication, dated 14th August 1941, I am enclosing herewith particulars re : Income-tax Circles in which persons included in the list sent to you are assessed.—

List of Refund Cases Pending

	Names	*Ward*	*Date of application*
1.	Dr. Sumant V. Mody	Non-Residents' Refund Circle	26—7—1940
2.	Gangabai, widow of Narandas Keshavji ..	A Ward, II Section	5—8—1940
3.	Amritlal Luxmichand Shah	Thana	19—8—1940
4.	Nurbhoy Jeewanjee Trust (Ex-Certificate) ..	B Ward, II Section	2—9—1940
5.	Mathuradas Narayandas	D Ward, I Section	25-10-1940
6.	Radhagauri Girdharlal Kothari	D Ward, II Section	12-12-1940
7.	Vithaldas Parmanand, Administrator of the Estate of Bai Valibai	Non-Residents' Refund Circle	13—1—1941
8.	Vithaldas Parmanand, Administrator of the Estate of Bai Mulibai Dhanji	Do.	14—1—1941
9.	Purshottam Andarji, Administrator of the Estate of Bai Dhanbai Bhagwandas ..	Do.	24—1—1941
10.	Jamnadas Pranjivandas	C Ward, I Section	18—2—1941
11.	Deoji Tokersey, one of the Trustees of Shri Cutchi Visha Oosval and Halai Visha Oosval Famine Fund	Non-Residents' Refund Circle	19—2—1941
12.	Parbhudas Mulji	Do.	11—3—1941
13.	Jagjivan Dayal, Trustee of Shri Ratna Chintamani S. Jain Mitra Mandal	C Ward, I Section	28—3—1941

Letter No. Misc. 72|41, dated 16th October 1941, from the Commissioner of Income-tax, Bombay, to Chamber.

With reference to your letter No. 2192, dated the 6th September 1941, I have the honour to state that I have made enquiries regarding the eighteen applications mentioned in the list which you enclosed. According to the reports which I have received, thirteen of these applications have now been disposed of, one (Radhagauri Girdharlal Kothari) does not appear to have been received by the Income-tax Officer concerned and the remaining four are still under correspondence but will be settled as soon as possible. I regret the delays which have occurred in the settlement of some of these claims. As you are aware, I have recently appointed an enquiry clerk in the Bombay Income-tax Office who has been supplied with forms for the recording of complaints regarding refund applications. These complaints are personally scrutinised by the Inspecting Assistant Commissioner and I hope this procedure will help to ensure more prompt disposal in future. If you should wish to discuss the matter further, I shall, of course, be glad to see you at any time when I am in Bombay.

APPENDIX 68

Income-tax Refund Orders.

Letter No. 1747, dated 23rd July 1941, from Chamber to the Commissioner of Income-tax, Bombay.

My Committee are informed that at present the Refund Orders issued by your office do not contain particulars of computations and details of the refunds allowed or disallowed. It would be an advantage to the assessees to know clearly and in detail the basis on which the final amount of refund has been arrived at. They further understand that in the Non-Residents' Refund Circle such information in detail is being supplied to assessees. They wish to suggest that the same practice may well be introduced in all the other circles so that full information be supplied to the assessees as a matter of course.

It is hoped that you will be good enough to consider this suggestion favourably and to issue the necessary Departmental instructions, at an early date.

Letter No. Misc. 181|41, *dated 10th September* 1941, *from the Commissioner of Income-tax, Bombay, to Chamber.*

I have the honour to state that I have carefully considered the suggestion made in your letter No. 1747, dated the 23rd of July 1941, but I regret that I do not at present feel able to accept it. The special form which has recently been introduced in the Non-Residents' Refund Circle was designed specially to meet the requirements of that circle and is not altogether suitable for other circles. The Non-Residents' Refund Circle is concerned mainly with income from securities, whereas *in other circles the calculations of refunds are usually complicated by the existence of taxable income from other sources.* Moreover, the supply of full details in all cases would involve a considerable amount of clerical work for which the other circles do not possess the necessary staff, and some of this work would be wasted since full details are not required by all assessees. The Income-tax Officers have, however, been instructed to furnish such details to any assessee who may ask for them.

APPENDIX 69

Allowance in respect of Secret Commission.

Letter No. 528, *dated 27th February* 1941, *from Chamber to the Secretary, Central Board of Revenue, Government of India, New Delhi.*

My Committee are given to understand that in the past, under administrative instruction, the Income-tax officers were allowing 50% of the secret commission paid by assessees in arriving at the income chargeable to tax. By recent orders of the Central Board of Revenue, however, it appears that the allowance in question has been discontinued and such secret commission, where the name of the recipient is not disclosed,

is being taxed in full. My Committee had pointed out, when they discussed this question with Mr. J. F. Sheehy, the injustice involved by the change.

They are, however, addressing the Board now with a view to draw their attention to an anomaly which the above change in practice would lead to, so far as computations for excess profits tax are concerned. In the case of an assessee the profit would have been determined in the standard period after deducting 50% of the secret commission. In the chargeable accounting period, however, the profit would be arrived at without any deduction on this account with the result that the excess of profits for the purpose of the E. P. T. would show an inflated position. The principle of comparing like-for-like in arriving at excess profits has been accepted by Government and it would be in keeping with that principle if in dealing with this item of expenditure also the income-tax authorities (1) allowed standard profit being calculated without any deduction on account of secret commission or (2) alternatively allowed 50% of the secret commission in the chargeable accounting period in determining the amount of the excess profits. The Select Committee on the E. P. T. Bill in commenting on the changes made in Schedule I, Rule 2 observed as under :

> "This new provision is intended to secure that the computation of profits in any standard period should be made on the same basis as the computation of profits in the chargeable accounting period and in particular that depreciation should be calculated on the written down value basis instead of on the cost basis and that income assessable on the arising basis in the chargeable accounting period but on the remittance basis in the standard period for income-tax purposes should be computed on the arising basis for excess profits tax purposes."

Thus the principle that the computation of profits in the standard period and in the chargeable accounting period should be on the same basis, has been very clearly emphasised in the above provisions made by the Select Committee and

my Committee are only asking for the application or the extension of that principle in dealing with this particular item of expenditure.

My Committee hope that the Central Board of Revenue will be pleased to accept the above suggestion and to issue the necessary instructions accordingly.

Letter No. D. Dis. No. 8(iii) (3)-EP|41, dated 11th March 1941, from the Secretary, Central Board of Revenue, Government of India, New Delhi, to Chamber.

With reference to your letter No. 528, dated the 27th February 1941, I am directed to say that the Board agrees that under Rule 2 of Schedule I the computation of profits of the standard period should be made on the same basis and in the same manner as are the profits of the chargeable accounting period. Where, therefore, secret commissions paid are wholly disallowed in computing the profits for excess profits tax purposes of the chargeable accounting period they should be wholly disallowed in computing the profits of the standard period as well.

2. I am to add that instructions are being issued accordingly.

Letter No. 2975, dated 25th November 1941, from Chamber to the Secretary, Central Board of Revenue, Government of India, New Delhi.

It is common knowledge that in certain business secret commission has to be paid for procuring orders or for information or assistance which may be of advantage in getting through business deals. The details of such commission or the names of the recipient thereof cannot obviously be disclosed. In the past, the Income-tax Department after looking to the nature of the business concerned and after satisfying itself that payment of such commission was usual in the trade in question, used to allow half the amount, the tax on the other half being deemed as a compensation to Government for the loss of revenue due to the non-disclosure of the

names and addresses of the recipients. For the last two or three years, however, such payments are being totally disallowed, presumably under instructions from the Board.

My Committee had occasion to discuss this matter with Mr. J. F. Sheehy, Member, Central Board of Revenue, when he met them in September, last year. In reply, he observed that the Department would require the names of the recipients firstly, for purposes of proof of the commission having been paid and secondly, for purposes of recovering tax from such recipients on the amount of the commission. He, however, added that in a proper case, if the Income-tax Officer was satisfied about such payments having been made, he had discretion to allow the same ; although he felt that there was no practical method of proving such payments without disclosing the names of the recipients. The attitude of the Income-tax Officers, however, it is understood, is generally not to allow such commission in any case.

Recently, Messrs. Nagindas & Maneklal, a Member of this Chamber, asked for information of the Excess Profits Tax Adviser to the Central Government regarding the practice prevalent in the United Kingdom in respect of such secret trade charges. In reply, dated 16th October, the E. P. T. Adviser informed the member that "in coming to a decision in a particular case they (the Income-tax Department, U. K.) will have regard to the nature of the trade, the extent to which it can be proved or is known to be the custom of that trade, to pay secret commissions and the status and credibility of the assessee, any evidence produced of the alleged payments, etc., and decide accordingly." A copy of the letter in question from the E. P. T. Adviser is enclosed herewith. It would thus appear that in U. K. the allowance of the commission is decided on the merits of each case and that a general practice of total disallowance as in India does not seem to be the case there.

My Committee, therefore, request that the Board will be pleased to re-examine the position here in the light of information about the procedure adopted in U. K. made available

as above, and issue instructions to the Departmental Officers that having regard to the custom of the trade or other connected circumstances, such commission should be allowed.

Letter No. 27(104)-I.T.|41, dated 12th January 1942, from the Secretary, Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letter No. 2975, dated the 25th November 1941, regarding secret commissions, I am directed to say that there is no provision in the United Kingdom Law similar to Section 38(3) of the Indian Income-tax Act under which the Income-tax Officer can require any assessee to furnish particulars of commission paid amounting to over Rs. 400 together with the names and addresses of the payees. Thus, even if following the procedure adopted in the United Kingdom it were possible to allow a deduction of the secret commission proved to be paid, it would not absolve the assessees from his obligation to furnish the particulars required under Section 38(3) or allow him to escape the punishment prescribed in Section 51(*c*) of the Act for failure to furnish the return required under this sub-section. If the Income-tax Officer foregoes the requisition under Section 38(3), he does so only because of his arrangement with the assessee that no allowance will in the circumstances be claimed in respect of the payment in computing the profits of the business.

APPENDIX 70

Excess Profits Tax and Shipping Industry.

Letter No. 840, dated 8th April 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

The Indian National Steamship Owners' Association, Bombay, have forwarded to my Committee a copy of their representation, dated 14th February 1941, to Government in the matter of the application of certain provisions of the Indian Income-tax Act to Shipping Companies. The suggestions and

proposals made therein have the general support of my Committee. The issues raised in the said representation are as under :—

Increased rate of depreciation allowance: My Committee had occasion in a communication which they recently addressed to Government in the matter of certain reliefs required by the Shipping Industry in connection with the application of the provisions of the Excess Profits Tax Act, to point out that the rate of 5 per cent provided under the Rules at present in force, was inadequate for purposes of allowing depreciation for shipping assets, particularly during the period of the war. They suggest that the rate in question should be raised accordingly from 5 to 7½ per cent on prime cost.

Depreciation on second-hand ships: Under the Indian Rules depreciation on a second-hand ship is allowed only at the rate of 5 per cent on the original cost of the ship irrespective of its age. In the United Kingdom, however, the rates vary according to the age of the ships at the time of purchase as second-hand ships, and the formula in operation secures to shipping companies in that country, rate of depreciation on second-hand ships higher than that obtaining in India. It is suggested that the basis of allowing depreciation for second-hand ships in India should be changed on the lines of the U. K. rules.

Depreciation on additions to ships: Expenditure of a capital nature incurred for additions and improvements such as renewal of engines, boilers, etc., is under the Indian rules written off during the normal period of the life of the ship in India. In U. K., however, the cost of such additions is to be written off during the balance of the normal period of the life of a ship from the date on which such additions and improvements are made. The U. K. practice should be followed in this country also.

Unabsorbed depreciation and profits by sale of ships: The two other points raised by the Association in their repre-

sentation refer to provisions in Section 10(2)(vii), first and second proviso, in the matter of allowing unabsorbed depreciation on assets sold or discarded and in regard to the profits by sale of ships, respectively. The representation has pointed out how the second proviso in question would lead to considerable hardship so far as shipping companies are concerned. The point about the treatment of sale proceeds of ships has particular significance during abnormal times like the present, when cost of building ships has gone up considerably, and if profits on sale of shipping assets are to be treated as income liable to tax, it would seriously jeopardise the capital structure of shipping companies. It must be remembered that ships sold have sooner or later to be replaced by new ones, and during periods when replacement costs are bound to be substantially higher, it is reasonable to suggest that the shipping companies should be allowed the facility of being enabled to treat profits on account of sales as capital accretion, not being liable to tax.

My Committee hope that Government will be pleased to give their sympathetic consideration to the above suggestions and to take early steps providing for the reliefs asked for.

Letter No. C. No. 27 (23)-C.I.T.|40, dated 23rd May 1941, from the Central Board of Revenue, Government of India, Simla, to the Hon. Secretary, Indian National Steamship Association, Bombay.
(Copy to Chamber.)

1. * * * *

2. **Necessity for allowing depreciation on ships at a rate higher than the normal rate of 5% on the prime cost of vessels.**

The Central Board of Revenue agree that for the period of the war the rate of depreciation on ships should be increased in conformity with the increase in the United Kingdom. They are not, however, satisfied that there is any justification for increasing the rate beyond 6% and they, therefore, propose to adopt that figure. Details as to the way in which the concession will be given effect to will be settled later.

3.	*	*	*	*
4.	*	*	*	*
5.	*	*	*	*
6.	*	*	*	*

7. **Depreciation to be allowed on ships for computing the profits liable to excess profits tax—ships which have been fully written off for income-tax purposes prior to the chargeable accounting periods but which are still in service in those periods.**

The Board propose to concede this claim by deducting the depreciation allowed on such ships from the allowance for depreciation in the standard period.

8. **Amount carried to a special Replacement Reserve should be allowed to be deducted before determining the profits of the chargeable accounting period.**

This really amounts to a further claim for depreciation. It was refused in the United Kingdom and the Board see no reason for amending the law so as to allow it in British India.

9. **Amount allowed by way of obsolescence should not be deducted for determining the profits of the standard period.**

This claim will be met under Schedule I, Rule 2, by spreading the obsolescence allowance over the life of the asset and allotting the appropriate part to the standard period.

10. **Amount of premium debited in the accounts of the company for the risk over the vessels of the company carried by the company itself should be allowed to be deducted for determining the profits of the standard as well as the chargeable accounting periods.**

This claim is not allowable in law or on the principles which underlie our Income-tax legislation. And if, as the Association anticipate, ships are likely to suffer more damage in war-time, it ought to be more advantageous to them to be allowed actual expenses instead of an annual premium.

APPENDIX 71

Indian Income-tax Act and Indian Shipping Industry.

Letter, dated 7th April 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

The Indian National Steamship Owners' Association, Bombay, have forwarded to my Committee a copy of their representation, dated 14th February 1941, to Government in the matter of the application of certain provisions of the Indian Income-tax Act to Shipping Companies. The suggestions and proposals made therein have the general support of my Committee. The issues raised in the said representation are as under :—

Increased rate of depreciation allowance: My Committee had occasion in a communication which they recently addressed to Government in the matter of certain reliefs required by the Shipping Industry in connection with the application of the provisions of the Excess Profits Tax Act, to point out that the rate of 5 per cent provided under the Rules at present in force was inadequate for purposes of allowing depreciation for shipping assets, particularly during the period of the war. They suggest that the rate in question should be raised accordingly from 5 to 7½ per cent on prime cost.

Depreciation on second-hand ships: Under the Indian Rules depreciation on a second-hand ship is allowed only at the rate of 5 per cent on the original cost of the ship irrespective of its age. In the United Kingdom, however, the rates vary according to the age of the ships at the time of purchase as second-hand ships, and the formula in operation secures to shipping companies in that country rate of depreciation on second-hand ships higher than that obtaining in India. It is suggested that the basis of allowing depreciation for second-hand ships in India should be changed on the lines of the U. K. rules.

Depreciation on additions to ships: Expenditure of a capital nature incurred for additions and improvements such as renewal of engines, boilers, etc. is under the Indian rules written off during the normal period of the life of the ship in India. In U. K., however, the cost of such additions is to be written off during the balance of the normal period of the life of a ship from the date on which such additions and improvements are made. The U. K. practice should be followed in this country also.

Unabsorbed depreciation and profits by sale of ships: The two other points raised by the Association in their representation refer to provisions in Section 10(2)(vii), first and second proviso, in the matter of allowing unabsorbed depreciation on assets sold or discarded and in regard to the profits by sale of ships, respectively. The representation has pointed out how the second proviso in question would lead to considerable hardship so far as shipping companies are concerned. The point about the treatment of sale proceeds of ships has particular significance during abnormal times like the present, when cost of building ships has gone up considerably, and if profits on sale of shipping assets are to be treated as income liable to tax, it would seriously jeopardise the capital structure of shipping companies. It must be remembered that ships sold have sooner or later to be replaced by new ones, and during periods when replacement costs are bound to be substantially higher, it is reasonable to suggest that the shipping companies should be allowed the facility of being enabled to treat profits on account of sales as capital accretion, not being liable to tax.

My Committee hope that Government will be pleased to give their sympathetic consideration to the above suggestions and to take early steps providing for the reliefs asked for.

APPENDIX 72

Amendment to Rule 8 of the Income-tax Rules.

Letter No. 2016, dated 18th August 1941, from Chamber to the Central Board of Revenue, Government of India, Simla.

I am directed to refer to the Notification No. 18 issued by the Central Board of Revenue on 5th July 1941, wherein under amendment to Rule 8 of the Income-tax Rules, viz. depreciation under head III—Machinery and Plant, it is proposed that the rate for ocean-going steamers and motor vessels should be increased from 5% to 6% for the period commencing 1st September 1939 and ending six months after the cessation of the present hostilities. My Committee are informed in this connection that in U. K. the rate for ocean-going steamers and motor vessels during the war-time had been increased by 25% i.e. from 5% to 6.25%. They, therefore, beg to urge that in India also the same percentage of increase should be allowed and that the rate should be increased to 6.25% instead of 6%.

APPENDIX 73

Time-limit under the Excess Profits Tax Act.

Letter No. 2911, dated 21st December 1940, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

I am directed by my Committee to bring to your urgent attention the following point arising out of the provisions of the Excess Profits Tax Act and the rules framed thereunder, with a view that you will view the matter sympathetically and issue immediate instructions in the matter.

Under Section 13, the return of Excess Profits Tax is to be made by the assessee within a period of not less than 60 days from the date of service of the notice. If the assessee desires to make an election under S. 8(2) with a view to avail himself of the standard of the predecessor in case there has

been a change by an admission, death or retirement of a partner, he has to apply to the Income-tax Officer under Rule 16 within 60 days of the date of service under S. 13. It will be appreciated that many assessees, ignorant of this provision, have been led into believing that an application under S. 8(2) will lie within 60 days of the receipt of notice under S. 13 or of the extended period allowed by the Excess Profits Tax Officer under the proviso to that sub-section. As no such provision is made for an extension under Rule 16, strictly speaking, any assessee who has been misled by the above provisions of extensions and fails to make the application to the Income-tax Officer will lose his right to claim the election after the expiry of the said period.

My Committee understand that there are cases before the Excess Profits Tax Officers where, owing to the above default on the part of the assessees, the assessees will be called upon, unless instructions are immediately issued, to pay a very heavy excess profits tax because the standard of profit which was available to them will be denied with the result that they would have either recourse to the capital standard or to the minimum standard of Rs. 36,000 only. It is submitted, therefore, that it could never be the intention of Government to take such an advantage of the assessees' such innocent ignorance of law and penalise him so heavily.

My Committee beg leave to point out that in the Excess Profits Tax Amendment Bill the Select Committee has definitely amended the provisions under S. 6(3) so as to enable the assessee to make an application to the Board of Referees or under S. 26 to the Central Board of Revenue within the period prescribed under S. 13 *or within extended period allowed by the Excess Profits Tax Officer under provisions of that sub-section.* Similar amendment to S. 8(2) seems to have been, through oversight, overlooked.

Taking into consideration the above hardships involved to a large number of assessees who may have ignorantly omitted to apply to the Income-tax Officer under S. 8(2), my Committee earnestly hope that the Central Board will issue imme-

diate instructions to the Income-tax Officer to entertain an application under S. 8(2) within the extended period allowed by the Excess Profits Tax Officer under S. 13 and take an early opportunity of amending Rule 16 by adding thereto the words "or within extended period allowed by the Excess Profits Tax Officer under the provision of that sub-section."

Letter C. No. 8(ii) (2)-*E.P.*|41, *dated* 16*th January* 1941, *from the Central Board of Revenue, Government of India, New Delhi, to Chamber.*

I am directed to acknowledge receipt of your letter No. 2911, dated 21st December 1940 and to state that the Board agrees that Rule 16 in its present form is inflexible and needs amendment. Pending such amendment, however, the Board is issuing instructions to officers to entertain applications under Section 8(2) if made within the extended period allowed under the proviso to Section 13(1) .

Telegram, dated 6*th February* 1941, *from Chamber to the Central Board of Revenue, Government of India, New Delhi.*

Reference yours C. No. 8(ii)(2)-EP/41, dated 16th January, instructions to entertain applications if made within the extended period under proviso Section 13(1) will it is feared not cover cases in which returns have already been submitted by assessees within the prescribed period of 60 days. Committee, Indian Merchants' Chamber urge that instructions should cover such cases also.

Letter R. Dis. No. 8(ii) (2)-*E.P.*|41, *dated* 21*st February* 1941, *from the Central Board of Revenue, Government of India, New Delhi, to Chamber.*

With reference to the correspondence resting with your telegram, dated 6th February 1941, I am directed to say that instructions have been issued to the Commissioner of Income-tax, Bombay, that where in the case of a firm a Return has been made in which a standard period was elected which is only permissible following a written notice under Section 8(2) of the Excess Profits Tax Act, the claim should be allowed

if a formal application in this behalf is made by the assessee by the end of the current month.

APPENDIX 74

E. P. T. and relief re: Capital Computation on account of Previous Losses.

Letter No. 3022, dated 28th November 1941, from Chamber to the Central Board of Revenue, Government of India, New Delhi.

The attention of my Committee has been drawn to the provision in Section 30 of the U. K. Finance Act, 1941. Under this Section, in the case of a business, the profits of which for purposes of Excess Profits Tax are to be computed on the basis of statutory percentage, capital employed in the business during the chargeable accounting period will be arrived at after adding thereto the net loss sustained by the business during a prescribed period of years. There is no such provision in the Indian Excess Profits Tax Act for relief under similar circumstances. My Committee request that Government will be good enough to consider this point and take early steps to introduce this relief in the Indian Act also.

Letter C. No. 8 (17)-E.P.|41, dated 16th December 1941, from the Central Board of Revenue, Government of India, New Delhi, to Chamber.

In reply to your letter No. 3022, dated the 26/28th November 1941, I am directed to say that the Section of the United Kingdom Finance Act, 1941, referred to by you was duly considered, but in view of the powers vested in the Central Board of Revenue under Section 26(1) of the Excess Profits Tax Act, no similar amendment of the latter Act was considered necessary.

APPENDIX 75

Allowance on Borrowed Capital under E. P. T. Act and Negative Standard under E. P. T.

Letter No. 1497, *dated 2nd July* 1941, *from Chamber to the Central Board of Revenue, Government of India, Simla.*

I am directed by my Committee to bring to the notice of the Central Board of Revenue certain difficulties relating to the provisions of the Excess Profits Tax Act or the interpretation thereof.

1. **Bank's Loan and Capital : Computation :** Rule 5, Schedule I of the Excess Profits Tax Act was inserted to provide relief in cases where business had been expanded on capital borrowed from a bank or on debentures by securing that the interest paid on the loan should be disallowed and that the loan itself should not be deducted from the total capital. In effect this provision substituted as a charge in computing the profits liable to E. P. T. the statutory percentage for the interest actually paid on the loan. It would appear, however, that on a strict construction of the conditions in Rule 5, this relief would be available only in the case of assessees who had a standard period. In the case of assessees whose standard profits are to be computed with reference to statutory percentage on average capital employed, bank's loan is not to be allowed and the benefit of the relief provided under the rule in question will not be extended to them. Thus, any business started on or after 31st day of March 1936 which had chosen the capital standard and which had not been in existence long enough to have a standard period, will not be allowed to treat moneys borrowed from banks or debentures issued for capital requirements as having increased its capital to that extent for the purpose of the rule, with the result that the benefit of the statutory percentage will not be allowed in respect of such increased capital, only the interest actually paid on the loan being allowed. My Committee feel that the above position places business, on which E. P. T. is to be computed on the statutory percentage basis at a considerable

disadvantage and it is necessary that provision should be made that loans from banks and public issue of debentures should in such cases also be deemed capital for purposes of computing capital under Schedule II.

Negative Standard: Where an assessee has to combine the profits of two years for the purposes of determining the standard profit, it is not clear whether in arriving at the standard the loss in one year is to be set off against the profit in another year and the balance divided by two to determine the standard profit. If there is a loss in one of the years, my Committee believe the intention of the Act is that the loss is to be ignored and the profit for the one year is to be divided by two for purposes of determining the standard. Under Section 6 of the E. P. T. Act, it is profits of two years which are to be amalgamated and no account is to be taken of the loss in one of the years. To suggest that, in order to arrive at the average profit, the loss of one year should be deducted from the profit of the other, would reduce the standard to an extent which would not possibly represent a normal standard for purposes of computing the excess of profits. It is, therefore, necessary that instructions should be issued that in a case where the standard is to be determined on the basis of the average of two years in which in one year there is profit and in another loss, the actual average should be worked out on the basis of the amount of profit without being diminished by the amount of the loss in the other year. My Committee are advised that this is the true intention of the Legislature and is also the procedure obtaining in the U. K. (Reference page 40 of Seed's Book on Excess Profits Tax).

3. **Negative Capital:** Another question for administrative instructions is in regard to the treatment of negative capital. It is not known in what manner exactly the increase or decrease of capital in the following case will be treated, viz. where during the standard period there is a positive capital ; where during the standard period there is a positive capital and during the C. A. P. there is a deficit, where during the standard period there is a deficit and during the C. A. P.

there is a greater deficit ; where during the standard period there is a deficit and during the C. A. P. there is a smaller deficit. My Committee understand that the practice in the U. K. is to take the deficit as nil and compute the increase or decrease with reference to the positive capitals during the two periods. (Reference page 33 of Seed's Book on E. P. T.). It is necessary that clear instructions should be issued in regard to this matter to the Income-tax Department.

My Committee request that the Board will be pleased to give the matters herein their early attention.

Letter No. 8(ii) (11)-*E.P.*|41, *dated* 15*th July* 1941, *from the Central Board of Revenue, Government of India, Camp, Madras, to Chamber.*

In reply to your letter of the 2nd July 1941—

1. **Bank's Loan and Capital Computation :** The following is an extract from the Instructions to Excess Profits Tax Officers which will, I think, meet the point raised in your letter :—

> "On a strictly literal reading of the provisions of Rule 5 of Schedule I it is possible to argue that it excludes from its operation the case of newly started businesses to which none of the optional standard periods provided by sub-section (2) of Section 6 are available. Such differentiation between old and new concerns is clearly unfair and the Board, therefore, directs that the Rule should be applied to the case of all new concerns which have no standard period and that for this purpose the *entire* borrowings effected by means of loans from a bank carrying on a *bona fide* banking business, or by means of a public issue of debentures should be treated as capital of the business within the meaning of Rule 5."

2. **Negative Standard :** Your Committee is in error in thinking that where a Standard Period consists of two "previous years", the profits of the Standard Period in the case where one of the previous years shows a loss is to be taken as being the profit of the other previous year.

Section 6 of the Act requires the profits of the business during the Standard Period to be taken. If, for example, calendar years 1937 and 1938 are the chosen Standard Periods and in 1937 there was a loss of Rs. 10,000 while in 1938 there was a profit of Rs. 20,000, it cannot be gainsaid that the profit during those two years was Rs. 10,000. I have not a copy of Seed's Book on Excess Profits Tax with me, but the interpretation above given is that which is in fact adopted in the United Kingdom.

3. **Negative Capital:** Your question under this head is answered by the following quotation from the Instructions to Excess Profits Tax Officers :—

> "Where the average capital of a business during the Standard Period as computed for Excess Profits Tax purposes is a minus quantity and where, in a chargeable accounting period, the average capital so computed is a smaller minus quantity or is a positive quantity the decrease in the minus capital may be treated as an increase of average capital for the purpose of the adjustment of the standard profits in relation to the chargeable accounting period which has to be made by virtue of the first proviso to Section 6(1).
>
> Where, however, during a chargeable accounting period there is a minus capital as compared with a positive capital during the Standard Period, or there is an increased minus capital during the chargeable accounting period, the minus capital or the increased minus capital, as the case may be, should not be treated as a decrease of capital for the purpose of the proviso."

Letter No. 2015, *dated* 18*th August* 1941, *from Chamber to the Central Board of Revenue, Government of India, Simla.*

I am directed to refer to your letter, dated the 15th July 1941, on the above subject and to inform you that my Committee are not in agreement with your interpretation regarding negative standard whereunder in cases where standard period

consisted of two previous years, the profits of the standard period in the case where one of the previous years showed a loss should be set off against the loss in another year for the purpose of determining the standard profit. My Committee wish to reiterate their views in this connection as stated in their letter of the 2nd July 1941 addressed to you. My Committee urge that where a standard period consisted of two previous years the profits of the standard period in the case where one of the previous years showed a loss should be determined with reference only to the profits of the other previous year. They submit that the Board will be pleased to reconsider their interpretation in this regard and accede to the views expressed by my Committee.

Letter C. No. 8(ii) (11)-*E.P.*|41, *dated 23rd August* 1941, *from Central Board of Revenue, Government of India, Simla, to Chamber.*

In reply to your letter of the 18th instant I am directed to inform you that having considered your previous letter, dated July 2nd, the Central Board of Revenue agrees with the opinion expressed by the Excess Profits Tax Adviser in his letter of July 15th. I am to point out that in the circumstances mentioned by your Chamber adoption of the interpretation would be tantamount to the taking of a standard period of one year which is not within the options allowed to an assessee by sub-section (2) of Section 6 of the Excess Profits Tax Act.

Letter No. 2139, *dated 28th August* 1941, *from Chamber to Central Board of Revenue, Government of India, Simla.*

The question of treating all borrowed moneys as capital for purposes of capital computation in the Excess Profits Tax Act was raised when Mr. J. F. Sheehy and Mr. C. W. Ayers, Members of the Central Board of Revenue, visited the Committee of the Chamber last month. It was then suggested in the course of discussion that all borrowed moneys should be treated as capital under the Excess Profits Tax Act, as the present procedure as followed by the Income-tax Office restricts

such capital to moneys borrowed from a bank or banker, the term "banker" being interpreted in a very strict sense.

Babu Baijnath Bajoria, whilst moving an amendment in the Legislative Assembly to the effect that all borrowed moneys *bona fide* for the purpose of business should be counted as capital employed in business, had correctly said that differentiation in this matter should not be made in favour of banks as proposed or be restricted merely to money raised on debentures. Since then, money borrowed from a banker, in the strictest sense of the term, has been included by a ruling from the Central Board of Revenue. The Hon'ble the Finance Member, opposing Babu Baijnath Bajoria's amendment in the Assembly, had urged that there was no such provision in the English Act and that the concession in the case of banks as then proposed to be given, though illogical in his opinion, could not be taken away, as it was agreed to by him in the Select Committee. He thus conceded two points :

(i) that the amendment could not be accepted because the English Act contained no such provision ; and

(ii) that the differentiation in the case of bankers was, in his opinion, illogical.

By Clause 20 of the Finance Bill, 1941, of the United Kingdom provision is made for treating all borrowed moneys as capital employed in business, and in the Budget speech the reason given for this change by the Chancellor of the Exchequer on 7th April last was that the change would encourage industry to undertake such development and expansion as the war effort required. This advantage, it was said, would not accrue to financial concerns like banks, assurance companies, investment business houses and building societies.

In view of this, the first objection of the Finance Member now disappears, and it is requested that a corresponding amendment should be made in the Indian Act. The additional and urgent reason for this amendment is that the provision in Schedule I, Rule No. 5, under the Excess Profits Tax Act at present, has had the tendency of concentrating

all borrowing from banks only, and it has hit private deposits from those who desire to keep their money liquid for a period and lend on interest. Regarding the second objection, the point is now sufficiently cleared by the amended English Act and, therefore, the Committee do not consider it necessary to dwell on it further.

I have the honour, therefore, to request that the Government of India be pleased to modify the present provision under the Excess Profits Tax Act in conformity with Clause 20 of the Finance Bill, 1941, of the United Kingdom.

Letter C. No. 8 (i) (3)-E.P.|41, dated 5th September 1941 from the Central Board of Revenue, Government of India, Simla, to Chamber.

In reply to your letter No. 2139, dated the 28th August 1941, I beg to inform you that the Central Board of Revenue is aware of the amendment put forward in the United Kingdom Finance Bill, 1941, in regard to the treatment of borrowed money in the computation of capital for Excess Profits Tax purposes, and that the question whether parallel action is called for in India is receiving the attention of the Board.

APPENDIX 76

Increase in the rate of premium for War Risk Insurance.

Letter, dated 21st March 1941, from Chamber, Camp, Delhi, to the Secretary, Commerce Department, Government of India, New Delhi.

I am directed by the Committee of the Indian Merchants' Chamber to convey to you their strong protest against the decision of Government to increase the rate of premium for war risk insurance from 1/32% to 1/16%. In their opinion there is not the slightest justification for imposing this additional burden on trade and commerce at this juncture. Government have recently imposed certain new taxes and increased the burden of various existing taxes. On the top of this the additional levy in the shape of increased charges for war risk insurance will affect trade, commerce and industry adversely.

Government cannot be unaware that the commodity markets are continuing to experience a slump and due to various factors, one among them being inadequacy of shipping tonnage for facilitating free movement or trade, stocks are lying accumulated. The proposed increased levy will add to the difficulties of such stock holders.

When the original rate of 1/32% was fixed, the Commercial community had urged that after sometime the rate should be reduced in the light of loss experience. There has been no loss so far and there are no indications of chances of increased losses in the near future. With this experience of the working, the action of Government cannot on any account be justified.

My Committee emphasise that the War Risk Insurance Scheme should not be used by Government as an instrument for obtaining additional revenue for budgetory purposes. They urge that Government will be pleased to abandon the idea of effecting the increase in rate from 1st of April next.

Government's reply to this may be sent to the Chamber's Bombay address.

APPENDIX 77

Refunds in War Risk Insurance Scheme.

Letter No. 882, *dated* 15*th April* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

A complaint has been received by some of our members with regard to the War Risk Insurance Scheme to the effect that there is no prvision in the Scheme for any refund. Thus, supposing a merchant has taken a war risk insurance policy for a particular amount on certain goods for three months and the liquidation takes place in the first month, there is no provision whereby he can get refund of premium for the succeeding two months. Similarly, supposing the liquidation takes place in the second month, there is again no provision

for refund for the third month. My Committee consider that this works hardly upon the merchants concerned. It was argued while the Scheme was under discussion that as the premium fixed was very small it was not possible to allow declaratory policies or any refund of premium if the amount of insurable goods fell below the amount covered. This argument, however, perhaps, may not hold good now, as there is an increase in the premium by 100 per cent, and also during all these months there has not been a single loss paid by Government.

My Committee, therefore, beg to suggest that, on the lines of an ordinary fire policy, war risk policies should be made transferable and that declaratory policies should be allowed for purposes of the war risk insurance. If however, Government are not agreeable to this suggestion, policies for a period of one month should be issued at 1/12 the annual rate.

Letter No. 49-T.W.(108)/41, *dated 8th May* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 882, dated the 15th April 1941, I am directed to state that the rate of premium for the current quarter was fixed on the basis of the War Risks Scheme as it stands at present and with due regard to the risks that have to be covered. In case the principle of allowing declaratory policies were to be accepted the cost of administration would doubtless increase and a further increase in the rate of premium might well be the result.

The Government of India, therefore, regret that they are unable to accept your suggestions.

APPENDIX 78.

Amendment of War Risk Insurance Ordinance to cover Goods within the Limits of Customs Ports.

Letter No. 1165|499, *dated* 17*th May* 1941, *from the Federation of Indian Chambers of Commerce and Industry, to Chamber.*

I am herewith enclosing a copy of the letter received from the Government of India, Department of Commerce, on the subject of an amendment of the War Risks (Goods) Insurance Ordinance, 1940. It will be seen from a perusal of the letter that the Government of India propose to amend the existing sub-section 2(*g*) of the War Risks (Goods) Insurance Ordinance, 1940, with a view to bring all goods within the limits of Customs ports, except those which have not been already discharged from, or loaded on ocean-going vessels, within the meaning of that sub-section, viz., "situated in British India". The Government of India wish to have the views of the Federation on this question at an early date. I have to request you to kindly forward whatever views you have to offer on the proposed amendment to this office at your early convenience, so that they will be forwarded to the Government of India in the Department of Commerce, for consideration.

Copy of letter No. 49-*T.W.*(66)/41, *dated* 16*th May* 1941, *from the Government of India, Department of Commerce, Simla, to the Federation.*

"I am directed to invite your attention to the position, under the War Risks (Goods) Insurance Ordinance, 1940, of goods which are being imported into or exported from India and which are situated in lighters between ship and shore in Indian ports.

2. The Government of India hold that under the definition given in sub-section 2(*g*) of the above Ordinance, such goods cannot be considered to be "situated in British India" even if the lighter be plying on a navigable river, as would be the case at the Port of Calcutta, provided it is plying on the

tidal portion of such a river. Consequently the goods in question cannot be insured under the War Risks (Goods) Insurance Scheme.

3. The Government of India have received representations urging that the position of such goods as described in previous paragraphs should be altered. It is stated that under the world-wide War Risk Water-borne Agreement, Insurance Companies are precluded from affording War Risks protection in terms other than the Institute War Risk Clauses, and these provide that that risk shall cease upon goods being discharged overside from an overseas vessel at the final port of discharge. Similarly, it is stated that the British Institute War Clauses do not cover goods for export prior to their being loaded on board the overseas vessel. Thus, whilst such goods remain in lighters between ship and short, there is no insurance policy at present obtainable to cover them. It is therefore urged that the goods in question should be made insurable under the War Risks (Goods) Insurance Scheme established under the above Ordinance.

4. The Government of India have, therefore, under consideration the proposal that sub-section 2(*g*) of the Ordinance should be so amended *as to render all goods within the limits of Customs ports,* except such as have *not been discharged from,* or *have been loaded* on ocean-going vessels, 'situated in British India' within the meaning of that sub-section. I am to request that the Government of India may be furnished at an early date with the opinion of the Federation of Indian Chambers of Commerce and Industry on this proposal."

Letter No. 1239, *dated* 29*th May* 1941, *from Chamber to the Federation of Indian Chambers of Commerce and Industry, New Delhi.*

I am directed to refer to your letter No. F. 1165/499, dated the 17th instant on the above subject forwarding a copy of a communication received from the Government of India regarding amendment of sub-section 2(*g*) of the above Ordinance and in reply to say that my Committee approve of the proposal therein so that all goods within the limits of Customs ports

may be covered under the War Risks (Goods) Insurance scheme.

APPENDIX 79

Insurance of Immovable Property against War Risks.

Letter No. 2074, dated 22nd August 1941, from Chamber to Commerce Department, Government of India, Simla.

The attention of my Committee has been drawn to a proposal of compulsory insurance of immovable property against War Risk by Government. My Committee will be obliged if you will kindly inform them whether any scheme for such insurance is under consideration and if so, they should like to urge that before any final decisions are taken with regard to the introduction of such a scheme, the commercial bodies in the country should be given an opportunity to express their opinion regarding the scheme.

APPENDIX 80

Payment of War Risks Claims in India.

Letter No. 2313, dated 15th September 1941, from Chamber to Commerce Department, Government of India, Simla.

The attention of my Committee has been drawn to the procedure prevalent at present regarding the payment of War Risk Claims arising out of the sinking of shipments through enemy action. Under this procedure claims are not payable in India and the consignees are obliged to send the documents all the way back to London, being thus handicapped to a very large extent. Under the present conditions, one does not know how long it will take for the documents to reach London or whether they at all reach there and when the claims would be actually paid to the importer in India. My Committee are given to understand that this is not the case in other countries where the war risks claims are payable

at destination. My Committee beg to request the Government of India to be pleased to enact that arrangements should be made in this country for the payment of any claims that may arise with respect to war risks. They also suggest that until a suitable machinery is set up by Government to make such claims payable in India, settlement of such claims may be left in the hands of the Indian Trade Commissioner in London.

Letter No. 7-C(5)/41, dated 17th October 1941, from the Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2313, dated the 15th September 1941, regarding the payment of war risk claims arising out of the sinking of shipments, I am directed to say that the matter has been referred to the Indian Government Trade Commissioner, London, for a report. On receipt of his reply a further communication will be sent to you.

Letter No. 7-C(5)/41, dated 10th March 1942, from the Commerce Department, Government of India, New Delhi, to Chamber.

In continuation of the letter from this Department No. 7-C(5)/41, dated the 17th October 1941, I am directed to forward a notice T.L. relating to claims under War Risks Insurance. The Government of India are also informed that it is usual for the shippers of the goods under claim to submit the necessary documents and claim on behalf of the consignee, thereby saving delay. In cases where banks have made advances against documents, arrangements may be made for them to lodge the claim. In this connection it will be necessary for the assured to give a letter of authority to the War Risks Insurance office as set out in paragraph 3 of the enclosed notice.

2. The Government of India are further informed that the above procedure has been found to work smoothly and saves considerable delay in arriving at a settlement. The

settlement of all claims for goods shipped from the United Kingdom to countries abroad are payable in London and in no case at destination.

WAR RISKS INSURANCE OFFICE

Claims for Total Loss (Cargo)

Holders of Insurance Certificates of the War Risks Insurance Office will expedite settlement of claims by the exercise of care in submission of the documents.

The documents to be supplied are indicated overleaf and must in every case be enclosed in an envelope provided by the War Risks Office for this purpose, and the information indicated on the outside of the envelope must be furnished. No claim will be received or considered unless all the documents required are so presented.

If it is desired that payment of the claim shall be made otherwise than to the person(s) named in the certificate as the assured, a letter of authority from the assured should be addressed to the War Risks Insurance Office and should accompany these documents.

Claims, if found in order as regards the documents, will be dealt with in the sequence of their receipt. When passed for settlement payment will be made by cheque.

Documents required when presenting Claims as overleaf

War Risks Certificate endorsed by the assured.

Marine Policy or Policies.

Statement of basis used in arriving at the insured value.

Stamped Bills of Lading (full set) duly endorsed.

If no shipped Bills of Lading have been issued a declaration of such shipment, signed by or on behalf of the ship-owners, must be supplied.

Invoices (or copies).

Sale Contract.

Summary of claim on the form provided by the War Risks Insurance Office.

Form of transfer of interest to be signed by the claimants.

Particulars of other Insurances effected against War Risk, if any ; if no such insurance was effected a declaration to that effect should be made.

The receipted freight account, if freight is payable at destination, "ship lost or not lost".

NOTE.—No claims can be settled without production of at least one stamped, signed Bill of Lading of the original set.

If, for any valid reason, any of the abovementioned documents cannot be supplied, a full explanation in writing must accompany the claim. (Where documents such as Bills of Lading and War Risks Certificate have been sent abroad the delay involved in getting them returned will not be considered a valid reason for their non-production.)

Forms of Indemnity in the case of deficient Bills of Lading can be obtained on application.

War Risks Insurance Office,
147-8, Leadenhall Street,
London E.C. 3.

APPENDIX 81

Insurance Companies and Appreciation on Investment not taken to Revenue Account.

Letter No. 1750, *dated 24th July* 1941, *from Chamber to Central Board of Revenue, Government of India, Simla.*

Under Chapter IX-B of the Income-tax Act, provision is made for exempting accretions to recognised pension funds from tax. Unrecognised pension funds, however, are not so

exempt. Such funds are taxed on the surplus of their receipts over expenditure each year. This basis of assessment has not given due consideration to the fundamental principle on which pension funds are built up. The funds in question could only be assessed on the basis of an Actuarial valuation, as in the case of life annuity business. The main sources of receipts for the funds are contributions from employees and from the employers together with the interest earned on the balance of the funds. When the fund receives contributions, it simultaneously undertakes to pay the subscriber pension on his retirement in accordance with the rules in force as also to refund the contributions under certain circumstances. It is, therefore, not proper to view the contributions from the employees as well as from the employers as income for the purpose of income-tax without setting off there—against the liability undertaken simultaneously to offer certain benefits to the contributaries. Just as in the case of an annuity business taxation must be on the surplus based on an actuarial valuation and not on the aggregate of the contributions.

My Committee, therefore, submit that the present basis of charging tax on such funds should be modified and a system of taxation on surplus as disclosed by an actuarial valuation should be introduced.

Perhaps, in consultation with the Superintendent of Insurance, the Board may be able to evolve a scheme of correct valuation of surplus of a pension fund and prescribe a basis for taxing such surplus which would be fair and equitable.

Treatment of Appreciation not taken to Revenue Account

Where appreciation on investment has been adjusted by merely a book entry, i.e., by crediting investment reserve and debiting investment account, but is not taken either to the Revenue Account nor adjusted in the actuarial balance sheet, it in no way affects the valuation of the surplus. It would, therefore, not be proper for the Income-tax Authorities to increase the surplus shown by the valuation by the amount of the book adjustment in regard to appreciation in the value

of investments. The word 'accounts' in Rule 3(*b*) of Schedule I of the Income-tax Act refers, in the opinion of my Committee, only to Revenue Account and not to Balance Sheet. Adjustments by way of book entries as referred to above should not be taken into account for the purpose of calculating surplus unless such adjustment is by way of adjustment to the Revenue Account.

My Committee request that the Board will be pleased to consider this matter and issue the necessary instructions to the Department.

Withdrawals from Reserve Fund

Under Rule 3 of the Rules for computations of the profits and gains of insurance business one-half of the amounts paid to or reserved for or expended on behalf of policyholder shall be allowed as deduction. Difficulties have been experienced regarding the actual application of this provision. Where a company transfers during the year of account, say, Rs. 5 lakhs to the Reserve Fund, according to the Articles of Association of the Company, and withdraws, say, Rs. 7 lakhs in the same year to make up the amount of Rs. 22 lakhs proposed to be declared as bonus, the question arises as to whether the withdrawal of Rs. 7 lakhs from the Reserve Fund is deemed to come wholly out of the Reserve Fund balance at the beginning of the year or whether the same is to be deemed first to come out of the sum of Rs. 5 lakhs transferred during the current year and only the balance of Rs. 2 lakhs is to be deemed as coming out of the opening balance of the Reserve Fund. According to normal accounting principles, a fund is not drawn upon until the current year's profits are insufficient. This would mean, in the hypothetical case cited above, that only Rs. 2 lakhs have been drawn from the Reserve Fund and not the whole of the Rs. 7 lakhs. The determination of the question of reserve subject to taxation under the rule is materially affected by the interpretation as to how the withdrawals or additions to the reserve are to be treated for the purpose of this calculation. Since half the bonus declared is allowed as deduction, the question naturally

arises as to out of what surplus the bonus is deemed to be declared. The Income-tax Department, it appears, is inclined to view that what is drawn from the Reserve Fund comes first out of the current year's surplus. Such a view is not in conformity with the general accounting principles and in the case of assessment of profits and gains of insurance business will materially affect the quantum of surplus liable to be taxed. It is, therefore, necessary that instructions should be issued that only such amounts as are drawn from the Reserve Fund to make up the deficiency should be taken into account for the purpose of arriving at the surplus for taxation under the rules.

Letter No. 51(52)-*I.T./41, dated 10th September* 1941, *from Central Board of Revenue, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 1750, dated the 24th July 1941, I am directed to reply as under :—

1. **Insurance companies — Treatment of appreciation not taken to revenue account:** The Board does not agree with your view that the word 'accounts' occurring in Rule 3(*b*) of the Schedule to Section 10(7) of the Indian Income-tax Act means only the revenue account and not also the balance sheet.

2. **Life Insurance Companies — Withdrawal from reserve fund for the purpose of paying bonuses to policy-holders:** The Board does not consider it necessary to issue instructions in the manner suggested, as in its view the action taken by the department is not unreasonable.

APPENDIX 82

Cawnpore Electric Supply Corporation, Ltd. and Issue of Fresh Shares.

Letter No. 2131, *dated 27th August* 1941, *from Chamber to the Secretary, Finance Department, Government of India, Simla.*

I am directed to bring to the attention of Government certain injustice which the shareholders in India of companies established outside British India are liable to suffer in cases where Section 105C of the Indian Companies Act is not applicable. My Committee have been informed that the Cawnpore Electric Supply Corporation, Ltd., having their head office in London and supplying electricity to the city of Cawnpore under a licence granted in accordance with the Indian Electricity Act, have treated their shareholders in India unfairly by issuing fresh shares without affording sufficient opportunity for the existing shareholders to apply for and acquire the same thereby depriving such existing shareholders of their normal right of a preferential claim of fresh issue of shares. My Committee are informed that the company has been enabled to proceed with the allotment of these new shares without allowing the Indian shareholders reasonable time to apply for the same, as according to their Articles, notices, etc., are deemed to be served one day after they are posted in London. My Committee consider this provision as unfair to the Indian shareholder.

It is presumed that the company raised further capital by the issue of fresh shares under the plea of installing additional plant in which connection my Committee are given to understand that the existing financial position of the company is more than sound and that there was no immediate necessity for the issue of such shares during war time, when the Indian shareholders of the company were not in a position to have any say in the matter. My Committee are further informed that there was a move in India to get the control of the company transferred to India with a view to minimise the ordinary expenses that were incurred as a result of the Head Office being situated in London. My Committee feel that the object of the Head Office in London for issuing fresh shares on bonus terms is calculated to defeat the move in India to transfer the control of the company from London to India. My Committee would wish to emphasise that the companies operating outside British India, having their field of operation in India, should not be in a position to treat

their Indian shareholders in a manner that would prejudice their just rights. My Committee would even go so far as to suggest that it should be made statutory to have control of such concerns located in India under the Indian Companies Act whereby no option may be left on the part of such companies to indulge in doubtful practices by which Indian shareholders may be liable to suffer. In the above case there is clear deprivation of the rights of the Indian shareholders in a joint stock company operating in India under a licence granted by the Government of the United Provinces in which the company is operating, which has its control vested in a foreign country. With a view to secure the rights of Indian shareholders under the above circumstances, my Committee strongly urge that companies established outside British India which are required under Section 277 of the Indian Companies Act to maintain a register in British India should also be made statutorily liable to the requirements under Section 105(*c*) whereunder if "the directors decide to increase the capital of the company by the issue of further shares, such shares shall be offered to the members in proportion to the existing shares held by each member, etc."

My Committee beg to urge that Government will give careful attention to the above and will be pleased, at the earliest opportunity, to have the change made in Section 277 of the Indian Companies Act by applying the provisions of Section 105(*c*) to all companies incorporated outside British India and registered under Section 277 of the said Act.

Letter No. 23(23)-Tr. (C.L.)/41, dated 29th December 1941, from the Deputy Secretary, Commerce Department, Government of India, to Chamber.

With reference to your letter No. 2131, dated the 27th August 1941, addressed to the Secretary to the Government of India, Finance Department, on the above subject, I am directed to say that under the Indian Company Law, as it stands at present, the Government of India are unable to interfere in the matter. It is open to the aggrieved parties to seek remedy by an injunction in a court of law, where they consider that fraud is being perpetrated on them.

2. I am to add that the amendment of the Indian Companies Act, in order to make companies established outside India liable to the requirements of Section 105(*c*) of that Act suggested by your Chamber, has been noted by the Government of India for consideration when the question of the next general revision of the Act is taken up.

APPENDIX 83

Town Duty Refund Rules.

Letter No. 1389, *dated* 18*th June* 1941, *from Chamber to His Worship the Mayor of Bombay and the Chairman, Standing Committee, Bombay Municipal Corporation.*

I am directed by the Committee of this Chamber to draw your attention to the several representations from re-exporting merchants and prominent Merchants' Associations for Amendment to Rules 13 and 19 of the Town Duty Refund Rules. These representations were submitted over sixteen months ago, viz. in February 1940, and two further explanatory notes were also submitted to the Municipal Commissioner at and after the merchants' interview with him, as arranged by the Chamber. I am now directed to send to you herewith one complete set of the copies of the representations and notes for your information and to request you to be good enough to request the Municipal Commissioner to expedite his report on the issues.

As my Committee have already pointed out, Rules 13 and 19 have a very adverse and injurious effect. Under the circumstances, my Committee hope that you will be kind enough now to have a reply sent by the Municipal Commissioner and to give redress to the business community.

Letter No. TD/5087/SR/41, dated 26th June 1941, *from the Municipal Commissioner, Bombay, to Chamber.*

With reference to your letter, dated 6th March 1940, on the subject noted above, I have the honour to state that the matter was placed before the Standing Committee in connec-

tion with a similar previous representation. The Standing Committee, after a careful consideration, agreed with me that no amendment of the Town Duty Refund Rules was necessary, but to alleviate any hardship that may be caused to any merchant by a clerical error, omission or discrepancy, orders may be issued that any clerical error, omission or discrepancy in one of the export notes should be overlooked and refund allowed as if there was no such error, omission or discrepancy.

As regards errors or omissions in declaring the weight or quantity, or in writing the amount of refund due in the application, *bona fide* errors or omissions will be overlooked. I have issued orders accordingly and I think they should prove to be satisfactory in practice.

Letter No. 1998, *dated* 16*th August* 1941, *from Chamber to the Municipal Commissioner, Bombay.*

I am directed to acknowledge receipt of your letter No. TD/5087/SR dated 26th May 1941.

My Committee are much obliged to you for your proper appreciation of the merchants' repeated pleadings to amend Rules 13 and 19 and for allowing merchants' appeals by alleviating their grievances of undeserved rejection of their due claims of refund and by saving them from consequential losses by your issuing, instead of amending the rules, Departmental orders to the effect that "any clerical error, omission or discrepancy in one of the Export Notes should be overlooked and refund allowed as if there was no error, omission or discrepancy." I am, in this connection, directed to draw your attention to one or two aspects of this question. The action taken by you will not remove entirely the hardship by the full recognition of the universally accepted principle, "Errors and Omissions excepted" as is enacted in Section 525 of the Bombay Municipal Act that "any informality, clerical error, omission or other defect—in any assessments, distress notice, bill, schedule, summons or other documents, etc.—not to be deemed to invalid to such assessment, etc." It is also a concession only in part since the Departmental Order

shall overlook errors, etc., in only one of the Export Notes of which duplicates are to be presented together and simultaneously. My Committee are enclosing herewith, two instances of the way in which claims are rejected on technical grounds for mistake in both the copies of the Export Note. Such a rejection goes counter to the principle of excepting errors and omissions which you have accepted.

My Committee beg to point out that since under Rule 11 of the Town Duty Rules, Sec. (c) Refunds Chapter I, it is enacted and required that "the Exporter claiming refund shall present the Town Duty Export Note in duplicate in the Form 'C'" the merchant or his clerk, while transcribing the contents from the first Export Note to the duplicate, is quite likely, though innocently, to commit the same error, omission or discrepancy also in the duplicate copy. You will agree with my Committee that such inadvertent error, omission or discrepancy should, in all fairness and equity, be overlooked in both the documents and not in one document only. The duplicate export note is but one document and must be accorded identical treatment and consideration.

My Committee beg to urge that certain and definite amendments of the rules are preferable to having merely departmental orders. With the changing departmental personnel, there is a likelihood of varying interpretations of the Departmental Orders. If, on the contrary, there were definite amendments of the rules, they would ensure consistent official action inspiring thus confidence and security for the allowance, without hitch or delay, of their legitimate claims of refunds bills which are conceded by your departmental orders.

III.—TRADE, INDUSTRIAL & LABOUR LEGISLATION

APPENDIX 84

Indian Companies Act and definition of Banking Companies

Letter No. 24(3)-Tr.(C.L.)/41, dated 9th October 1941, from the Commerce Department, Government of India to Chamber.

I am directed to say that it has been brought to the notice of the Government of India that the definition of banking companies given in Section 277-F of the Indian Companies Act, 1913, has created considerable difficulties of interpretation as to whether a company is a banking company or not. This difficulty arises largely out of the use of the term "principal business" in Section 277-F. Registrars of Companies have often found it difficult to decide, particularly in the case of the smaller institutions calling themselves banks, whether or not in terms of this definition they are banking companies. The result has been that out of a total of 1421 concerns, which may be considered to be non-scheduled banks operating in British India, only about 672 are reported to be providing the returns or maintaining the cash balances required by the law. The others claim that, for one reason or another, they do not fall within the definition of banking companies and this contention has, in several cases, been upheld by the courts.

2. In order to obviate the difficulties of interpretation which are thus thrown on the Registrars and which, in provinces where such institutions are numerous, require an early remedy and in order further to prevent companies, which in reality are banking companies, successfully evading compliance with the provisions of a law enacted primarily for the benefit of depositers, it is proposed that Section 277-F should be amended by the insertion of an explanation to the effect that any company which uses as part of its name the word "bank", "banker" or "banking" shall be deemed

to be a banking company irrespective of whether the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order is its principal business or not. The date from which this amendment will come into force will be fixed so as to allow companies who do not consider that they are banking companies as defined by this section to change their designation so as to drop the word "bank", etc. This may still leave a residuum of companies not calling themselves banks, but nevertheless carrying on banking and attracting deposits. But depositors who choose to deal with such a company will do so at their own risk. Moreover, it will still be open to the Registrar to hold, in suitable cases, that any company of this type is a banking company and thus bring it within the purview of Part X-A of the Act, unless his decision is challenged successfully in a court of law.

3. The Government of India will be glad if Provincial Government/you will be so good as to consider this proposal in consultation with the Provincial Registrar of Joint Stock Companies and such bodies as they may think necessary, and furnish them with their observations in the matter so as to reach this Department by the 30th November 1941. I am to add that the recognised Chambers of Commerce and Associations in the Provinces as well as the Federation of Indian Chambers of Commerce and Industry, and the Associated Chambers of Commerce have been addressed direct in this case by the Government of India.

4. I am also to request that four spare copies of your reply may kindly be supplied to this Department.

Letter No. 2828, dated 17th November 1941, from Chamber to the Commerce Department, Government of India, New Delhi.

I am directed by my Committee to refer to your letter No. 24(3)-Tr.(C.L.)/41 of the 9th October 1941, on the above subject and to send to you hereby their views on the proposal therein.

My Committee note that the existing definition of Section 277-F of the Indian Companies Act has created difficulties of interpretation as to whether a company was a banking company or not and in order to make matters clear beyond doubt it is proposed to add an explanation to the section in question to the effect that any company which used as part of its name the word "bank", "banker" or "banking" shall be deemed to be a banking company irrespective of whether the business of accepting deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order was its principal business or not. My Committee approve of the change suggested.

In this connection, it may be recalled that last year the Reserve Bank of India in consultation with the Central Government had circulated draft proposals for a consolidated Banking Act for the country in which proposals in regard to the definition of banks or banking companies also formed part. My Committee would like to have information as to the stage at which the draft proposals are at present and whether it is intended to proceed further in the matter at this stage.

APPENDIX 85

Income-tax Amending Bill.

Letter No. 2674, *dated* 25*th October* 1941, *from Chamber to Central Board of Revenue, Government of India, New Delhi.*

I am directed by the Committee of this Chamber to send to you hereby their views on the provisions of the above Bill.

They are in general agreement with the changes made in such of the Clauses of the Bill on which no particular views are offered.

They are also suggesting certain additional changes in some of the Sections of the Act on which Government have tabled amendments in the Bill.

Clause 4 : As stated in the notes on Clause 4, the amendment is intended to remove cases of hardship of individuals who come to reside in India for a period of years. My Committee, however, assume that by the introduction of this amendment, it is not in any way intended to increase the liability of the assessee to a greater extent than that under the provisions in the existing Section 4-A and 4-B of the Act.

Clause 8 : My Committee approve of the amendment proposed in this Clause. In order to avoid any misunderstanding, my Committee, however, suggest that this provision should be inserted after the second proviso to Section 4(1)(*c*) of the Act.

Clause 10(b) : Although by Clause 8, income profits or gains accruing or arising to an assessee within an Indian State are exempted unless they are received or deemed to be received in British India, still for the purpose of calculating rate of income-tax and super-tax they are to be included in the total income of the assessee. My Committee strongly object to Clause 10(*b*) on the ground that if in any subsequent year such income gains or profits are brought into British India, then, not only will they be taxable in the hands of an assessee, but also such tax will be payable on an increased rate by reason of such income, gains or profits being added to his other income. My Committee are of opinion that such income, gains or profits which are sought to be exempted under Clause 8 of the Bill should not be taken into account for rate purposes, the reason being that the rate of tax will be increased twice, firstly in the year in which such income, gains or profits are made and again in the year in which they are received in British India.

Clause 13(b) : Under the existing law an unregistered firm is treated as a distinct entity and the loss suffered by such an unregistered firm is fully allowed to be carried forward to the credit of the firm in the coming year and so on. Under the Clause 13(*b*) as proposed, if a change occurs in the constitution of such a firm by reason of death or retirement of a partner, only the proportionate share in the loss

of the continuing partners would be allowed to be carried forward. My Committee feel that this is very unfair to the assessee. They are, therefore, strongly opposed to Clause 13(*b*) of the Bill, and suggest that an unregistered firm should be allowed to carry forward loss to the full amount as under the existing law.

Clause 14: While my Committee accept the change proposed by this Clause, they suggest that no retrospective effect should be given to the amendment inasmuch as there are many pending assessments of discontinuance which have not been disposed of.

Clause 18: My Committee are strongly opposed to the proposed new Section 33(A)(1). The Commissioner should not be vested with the power to call for the records of any proceedings of his own motion and to revise the order passed by the Appellate Assistant Commissioner or the Income-tax Officer. The Commissioner should have only the power of revising the assessment on the application made by an assessee. My Committee accept the provision in new Section 33-A(2). They are, however, opposed to the provision of Section 33-A(3). No fee of any kind whatever should be charged to an assessee, as by this new Section it is intended to give relief to small assessees. In the past, before 1939 Amending Act, the Commissioner had always reviewed the orders without charging any fee, and my Committee fail to understand why this practice should not be continued.

Clause 19: My Committee are opposed to the extension of time being given for re-assessment under Section 31 and 33. They have, however, no objection to extension of time for re-assessment being given for orders made under Section 66 and 66-A. My Committee feel that re-assessment made in pursuance of orders under Sections 31 and 33 can be disposed of within a reasonable time. As regards re-assessments under Section 66 or 66-A, they have no objection to keeping the re-assessments open for a longer period.

Clause 24(a): My Committee are strongly opposed to the proposed amendment suggested by this Clause. Under

the existing law the Collector has got ample powers for the recovery of the amount of assessment and any additional powers sought to be conferred on the Collector are likely to be exercised to the prejudice of the assessee.

Clause 25: My Committee approve of the proposed amendment, subject to the modification that in the case of dividends received by an assessee from countries with which this country has no reciprocal double income-tax relief arrangement, the dividends should not be grossed up, but the actual amount received should be taxed.

Having dealt with the Clauses of the Bill, my Committee feel that in the light of the amendments proposed in the Bill, it is essential from the point of view of all interests concerned that the following additional amendments should be made:

Clause 10: An explanation should be added at the end of Section 17 of the Act to the effect that a Hindu Undivided Family, or an unregistered firm carrying on business in British India should be deemed to be British subjects, if all the Members composing these bodies are British subjects or subjects of an Indian State.

Clause 12: It is provided for a notice being sent to an assessee about the income only in cases of partnership, and the only case in which such an intimation is not given to an assessee is of a Hindu Undivided Family. If there is no demand levied on an Undivided Hindu Family and the income determined is below Rs. 2,000, an intimation as to the amount of income fixed should be sent to the assessee. This can be provided for by adding the words "and, in case of there being no assessable income, notify in writing to the assessee, his total income" at the end of Section 23(3).

Clause 13: Where a firm is unregistered in the previous year and it carried forward losses, such a firm should not be deprived of the benefit of carrying forward the previous year's loss under Section 24(2), if the Income-tax Officer registers such a firm in the following year under Section 23 (5)(*b*): The apportionment of the profits of that firm for

that year should take place after giving effect to the carry-forward of the last year's loss.

Clause 15: As a result of the amendment suggested to Clause 12 as stated above, the following addition to Clause 15 will have to be made at the end:

> "Or of the order in writing notifying the amount of total income fixed under Section 23(3) of the Act."

Clause 17: My Committee suggest that a proviso should be added to Section 5-A that the Tribunal may at the hearing of an appeal be empowered to allow an appellant to go into any grounds of appeal not specified in the grounds of appeal to the Tribunal, if it is satisfied that the omission of the said grounds was not wilful or unreasonable. This may be done on the same lines as in Section 31(2-A).

Clause 20: My Committee have in the past pressed for an amendment of Section 35 of the Act. In view of the fact that Clause 20 of the present Bill seeks to amend the said section, they suggest that Section 35 be recast on the lines of Section 24 of the U. K. Finance Act, 1923.

My Committee would also like to point out to the difficulties caused by first proviso to Section 41 of the Act. In this connection they would like to refer to the recent decision of the High Court of Bombay in Civil Reference 3 of 1941, Tilak Silver Jubilee Fund, where the learned Judges who heard the reference were of the opinion that in the case in question there was great hardship on a true interpretation of the said proviso. My Committee would, therefore, suggest that a suitable addition should be made to the said proviso whereby the hardship suffered as illustrated in this case may be removed.

APPENDIX 86

Excess Profits Tax Amending Bill.

Letter No. 2690, dated 28th October 1941, from Chamber to Central Board of Revenue, Government of India, New Delhi.

I am directed by the Committee of this Chamber to send hereby their views on the above Bill. My Committee generally approve of the Bill, subject to the following amendments and modifications.

Clause 5: The object of the proposed new Section 10-A, as stated in the Statement of Objects and Reasons, is to provide for cases where tax is avoided by transactions, which are neither fictitious nor artificial. Such a section, if brought into operation, would confer unfettered powers on the Excess Profits Tax Officer of challenging even *bona fide* transactions, though such transactions may have the ultimate effect of reducing liability of the assessee to Excess Profits Tax. The principle entitling an assessee to avoid duty or tax, which has not attached to the property, by all lawful means has been accepted in all decided cases in England as well as in India. Reference may be made to the case reported (1908, 2 K.B. 729, 743), where Farwell, L. J. observes as follows :—

> "I know of no law which prevents a man from avoiding a duty which has not attached to the property. . . . A man is perfectly entitled, if he can, to avoid the payment of duty by disposing of his property in any way not forbidden by the Act. The argument that this motive is to escape duty appears to me wholly justified in avoiding and escaping the duty which will arise in the future but which has not yet attached to any property which he possesses."

In view of the above, my Committee are strongly opposed to the proposed new Section 10A, mentioned in Clause 5 of the Bill. Moreover, by the proposed new section, transactions which took place even before the passing of the present Bill could be challenged by the Excess Profits Tax Officer. My Committee urge that, in any event, retrospective effect should not be given under the proposed new Section 10A, so that any *bona fide* transactions, effected prior to the passing of the present Bill, may not be challenged. If, notwithstanding the above, the said Section is enacted, provision should also be made for an appeal to the Appellate Assistant Commissioner

in addition to the appeal to the Appellate Tribunal. Moreover, the approval of the Inspecting Assistant Commissioner should not be given without the assessee being heard in the first instance.

Clauses 4, 7(a) and 8: My Committee appreciate the acceptance of the demand made by the commercial community as regards non-deduction of all borrowed capital in respect of commercial and industrial concerns. They, however, feel that the proposed amendment does not go far enough. In the opinion of my Committee, the amendment should be given retrospective effect, so as to allow borrowed capital not be deducted as from the commencement of the first chargeable accounting period, i.e., from 1st September, 1939. Government have in the present Bill as well as in previous amending Bills, given retrospective effect to some of the other amendments, and there is no reason why retrospective effect should not be given to the amendments as proposed in these Clauses. Moreover, if retrospective effect is given, it will save the unnecessary trouble of making double computation of capital employed in the business.

Clause 7 (b): My Committee are strongly opposed to the new Rule 12 of Schedule I, on the ground that under the cover of such a rule, the Excess Profits Tax Officer may disallow expenses which are necessary and reasonable as regards the requirements of a business. The Excess Profits Tax Officer, naturally, cannot be expected to have an intimate knowledge of the requirements of any particular business, and such a power may be exercised to the prejudice of the the assessee in many cases.

It appears that through inadvertence, in the Excess Profits Tax Amendment Act (42) of 1940, the business of "money lending" was omitted from sub-rule (2A) of Rule 4 of Schedule II, although it was included in sub-rule (2) of that Rule. In view of the fact that the said sub-rule (2A) is sought to be amended by Clause 7 of the Bill, my Committee suggest that the business of "money lending" should be added in sub-rule (2A) so as to bring it in consonance with sub-rule (2) of Rule 4 of Schedule II.

APPENDIX 87

Provisions of the Insurance Act regarding Investments of Funds.

Letter No. 1564, *dated 7th July* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

The attention of the Committee of this Chamber has been drawn to Section 27 of the Insurance Act, 1938, which compels Indian Life Offices to compulsorily invest full 55% of their assets in Government and approved securities. Such a requirement restricts the freedom of such companies in the matter of classification or distribution of their investments. There are no such restrictions in England and the present restrictions in India were perhaps imposed as a reaction against certain Insurance Companies' investment policy in the past when the Government were not armed with the powers of supervision and inspection which are given under the present Insurance Act. This Act has given very wide powers to the Insurance Department which has since come into existence. Time has now come when Indian Insurance Companies may well be left the liberty of using their own discrimination with regard to investment of their funds. My Committee would not yet suggest giving of entire freedom to Insurance Companies to invest their funds, but would like to give greater freedom to them in the matter of distributing their investments. With the rates of interest at present obtaining for Government Securities, the investment income of Life Companies has tended to diminish. This would react on policyholders for whose benefit the present restriction is imposed.

What is more, the restriction in question prevents the utilisation of surplus resources in suitable industrial investments with the result that capital which may be employed in productive undertakings has more or less to be kept dormant. Under the circumstances, my Committee feel that there is considerable force in the case for allowing greater

freedom to Insurance Companies in the matter of distributing their investments and beg to urge on the Government of India the desirability of amending Section 27 of the Insurance Act, 1938, with a view to reducing the proportion of compulsory investment in Government and approved securities.

APPENDIX 88

Provisions of the Indian Companies Act, 1936 regarding Reduction of Capital.

Letter No. 24(1)-*Tr.*(*C.L.*)|41, *dated 22nd January* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 2638, dated 25th November 1940, on the above subject, I am directed to say that the Government of India have noted the points raised by the Indian Merchants' Chamber for consideration when the next general amendment of the Indian Companies Act, 1913, is taken up.

Letter No. 311, *dated 7th February* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

I am directed to acknowledge the receipt of your letter dated 22nd January 1941, No. 24(1)-Tr(C.L)/41, on the above subject. My Committee are afraid that the time for a general amendment of the Indian Companies' Act may not come soon. The question dealt with by my Committee in their letter is very important and cannot be postponed indefinitely. Government have already found that the Companies' Act as recently revised and the Insurance Act recently placed on the statute-book stood in need of revision in certain directions, and have been pleased to admit such amendments either from private sources or to initiate the amendments themselves. The proposal which my Committee put forward for the amendment of the Companies' Act affects very vitally Joint Stock Companies, particularly Insurance Companies, and it

will not be fair to these companies if the consideration of the amendment is postponed till the next general revision of the Act, which may not take place for a long time to come.

Under the circumstances, my Committee again beg to request Government to be pleased to take this amendment for consideration at the ensuing session of the Legislature.

APPENDIX 89

Amendment to Auditors' Certificate Rules.

Letter No. 1983, *dated 14th August* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

I am directed to refer to the Government of India, Department of Commerce, Notification No. 1-A(3)/41, dated the 26th July 1941, in connection with the draft amendments proposed to Rules 6 & 7 of the Auditors' Certificate Rules, 1932.

With regard to Amendment to Rule 7, it is proposed that the existing or past membership of any of the institutes and societies mentioned in the Notification shall be recognised as equivalent to the tests and the practical training prescribed in Part II. My Committee fear that under this proposed arrangement, expelled members of such institutes and societies would be entitled to be enrolled on the register which could not be the intention of the amendment. They, therefore, suggest that the said amendment should provide for contingencies in which such expelled members may not be eligible for being enrolled on the register of Accountants and Auditors.

Letter No. 3094, *dated 4th December* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

I am directed to refer to Government Notification No. 1-A(10)/41(*i*) of the 1st November 1941, forwarding draft of an amendment proposed to Appendix 3 of the Auditors' Certificate Rules. It is proposed to add a rule to provide that a registered accountant shall not accept a position as

auditor of a limited company previously held by another Registered Accountant in such conditions as would amount to undercutting. My Committee feel that the rule as drafted may operate as a hardship to new comers in the profession. If, however, Government are satisfied that an additional rule on the lines proposed is necessary, my Committee suggest that the word "wilful" be added before the word "undercutting" so that the disqualification would operate only in case of wilful undercutting. The Committee hope that the change suggested by them will be acceptable to Government.

The same remarks apply to the amendment proposed to the Restricted Certificate Rules.

APPENDIX 90

Marking of the Country of Origin under the Merchandise Marks Act.

Letter No. 301-Ind. (2)/41, dated 10th April 1941, from the Commerce Department, Government of India, New Delhi, to Chamber.

I am directed to forward for the information of your Chamber/Association a copy, with one spare copy, of the Press Note issued on the subject noted above. The relevant provisions are contained in Section 8 of the Merchandise Marks (Amendment) Act, 1941. The Act has been published in the *Gazette of India* — Part IV — dated the 15th March 1941. Copies of the *Gazette* can be had from the Manager of Publications, Civil Lines, Delhi or from any of the agents authorised to sell the Government of India Publications. I am to add that if any members of your Chamber/Association wish to make an application for requiring goods to show an indication of origin they may state in their application the manner in which such indication may be applied, that is to say whether to the goods themselves or in any other manner, and the times or occasions on which the presence of the indication may be made necessary, that is to say whether

on importation only, or also at the time of sale, whether by wholesale or retail or both."

PRESS NOTE

Safeguarding Indian Industry : Marking of Origin of Foreign Goods : Representations Invited

Complaints have been received by the Government of India from time to time that goods manufactured in foreign countries are sometimes put on the Indian market in such a manner as to obscure the country of origin and to pass them off as Indian manufactures.

Greater protection to Indian business and industry is now given by the Indian Merchandise Marks (Amendment) Act, which gives power to the Central Government to issue notifications, after enquiry by the Central Government either on its own initiative or on consideration of a representation from the interests concerned, requiring the marking of the country of origin in any cases where this should be found necessary.

As most of the commercial bodies in India are in favour of compulsory marking of origin on all foreign goods imported into British India, it is now for the commercial community to make representations to the Commerce Department and thus take full advantage of the facilities provided by the Act for safeguarding their legitimate interests.

Letter No. 1565, *dated 7th July* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

I am directed to send hereby the views of the Committee of this Chamber with regard to your letter No. 301-Ind.(2)/41, dated the 10th April 1941.

My Committee circularised your letter among the members of the Chamber and the views they are now sending more or less reflect the views of the business community. My Committee had suggested to Government, while the Bill to amend the Merchandise Marks Act was on the tapis of

the Legislature, the necessity of marking the country of origin on all non-Indian or foreign goods specifically as made in England etc., not only on the cases but on the goods themselves for the protection of unwary consumers except for jewellery and such other articles that did not permit of showing the country of origin by marks which might be specifically exempted. It was urged that all the other goods, however, must be marked specifically. This suggestion of theirs was not accepted at the time and they again wish to repeat the same suggestion in the interests of the trade and industries of the country. They beg to urge that the law should provide for compulsory marking of the country of origin on all imported goods. I am further directed to say that if Government cannot accept the above proposal, alternatively, all classes of imported articles, for which there is a corresponding indigenous production here, should be compulsorily marked.

The attention of my Committee has also been drawn to a class of goods which are manufactured in India, but the owners or proprietors of which are British or foreign companies, on which the names of such owners with their foreign addresses are marked without any counter indication to show that the goods are manufactured in this country. This practice, my Committee may be allowed to point out, secures to such articles a preference in the belief that they are of foreign origin although they are actually manufactured in India. The examples of cigarettes and pharmaceutical products may be given in this connection with regard to which it is intended to create an impression that they are manufactured in foreign countries, though as a matter of fact, they are produced in India. My Committee, therefore, beg to suggest that in such cases a counter indication of the country of origin should be made compulsory.

Letter No. 301-*Ind.* (2)|41, *dated* 13*th September* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 1565, dated 7th July 1941, I am directed to request you to state precisely to which

classes of imported goods the first paragraph of your letter is intended to apply. It may be noted that Section 12-A(1) of the Indian Merchandise Marks Act, 1889 as amended by Act II of 1941 requires that the classes of goods to which an indication of origin is to be applied must actually be specified in the notification issued in that behalf.

2. Kindly also refer to Section 12-A(2) of the above Act and state the manner in which you consider the indication of origin should be applied to each class of goods concerned—that is to say whether to the goods themselves, or in any other manner. Please state also the times or occasions on which the presence of the indication should be necessary—that is to say whether on importation only, or also at the time of sale, whether by wholesale or retail or both.

3. As regards cigarettes manufactured in British India you are required to give your suggestions as to the manner in which, and times and occasions on which the indication of origin should be given. The same information with regard to pharmaceutical products, manufactured in India, may be given together with a detailed list of such products to which the notification under Section 12-A(1) of the Act should in your opinion refer.

Letter No. 2561, dated 9th October 1941, from Chamber to Commerce Department, Government of India, Simla.

I am directed to acknowledge the receipt of your letter No. 301-Ind.(2)/41, dated 13th September 1941 on the above subject. It was due to the recognition of the practical difficulties inherent in framing a complete or exhaustive list of goods required to be marked with the country of origin that my Committee had all along been urging upon Government the desirability of changing the provision in Law, so as to make obligatory for all imported goods, other than those specifically exempted, to bear an indication of the country of origin. If the provision in law was made in such a positive manner, a list of goods which for practical or technical reasons could not be so marked, may, by executive order, be exempted.

Government, however, had not seen their way to accept the suggestion.

Notwithstanding the above practical difficulties, if Government are still inclined to view that the method of approach prescribed under the existing provision in the Act is feasible, it is open for Government to frame such a positive list, in the first instance, and to circulate the same for the views and observations of the commercial community. A start may be made with the list of articles specified in the Seaborne Trade Returns and such items in the list which may present practical difficulties in application may be deleted. Government will appreciate that it would be rather difficult for commercial associations to prepare such a list and the initiative in this matter must be taken by Government themselves.

Regarding the other point raised in your letter, viz., the question of a counter indication of the country of origin in respect of articles like cigarettes and pharmaceutical products, manufactured in India by foreign concerns, my Committee are endeavouring to collect the information and expect to revert to the subject shortly.

APPENDIX 91

Amendment of Sea Customs Act.

Letter No. 1460, *dated 26th June* 1941, *from Chamber to Central Board of Revenue, Government of India, Simla.*

The attention of the Committee of this Chamber has been drawn to a representation which has been addressed to the Government of India by the Committee of the Marwari Chamber of Commerce, Calcutta. Looking to the case which has been presented in tha letter and the difficulties of merchants have to labour under in different places, on account of the different interpretations placed upon such sections of the Sea Customs Act by the Customs authorities at different ports, I am directed by the Committee of this Chamber to suggest that it is necessary to secure uniformity of practice in all the

Customs ports in the country in the matter of interpretation and the observance of the provisions of the Sea Customs Act regarding assessment and also to suggest that, for the purpose of receiving such duty invoices wherever available should be accepted and the duty should be calculated on the basis of the invoice value.

APPENDIX 92

Excise Rules — Excise Duty on Medical and Toilet Preparations.

Letter No. 1360, *dated* 16*th June* 1941, *from Chamber to Finance Department, Government of Bombay, Bombay.*

The Indian Chemical Manufacturers' Association has forwarded to my Committee a copy of the representation submitted by that body to the Government of Bombay, No. 514, dated 20th May 1941, regarding certain difficulties experienced by chemical and pharmaceutical manufacturers in India under the Excise Rules. The points raised therein have been brought to the notice of Government before and almost all the suggestions are covered by the recommendations of the Excise Conference held in November 1937. It was hoped that the conclusions arrived at the Excise Conference would be followed by appropriate action by the different Provincial Governments. As, however, no steps in that direction seem to have been taken, I am desired by my Committee to request Government to be pleased to give this matter their early attention and to adopt the suggestions made particularly in the letter under reference from the Indian Chemical Manufacturers' Association without any loss of time.

My Committee hope that this matter will receive the early attention of Government.

Letter No. 251-C/39, *dated* 19*th June* 1941, *from Revenue Department, Government of Bombay, Bombay, to Chamber.*

With reference to your letter No. 1360, dated 16th June 1941, I am directed to forward, for the information of your

Committee, a copy of Government letter, No. 251-C/39, dated 4th June 1941, addressed to the Indian Chemical Manufacturers' Association, Calcutta, in reply to their representation No. 514, dated 20th May 1941.

No. 251-C/39,
Revenue Department,
Bombay Castle, 4th June 1941.

From
The Secretary to the Government of Bombay,
Revenue Department;

To
The Secretary,
The Indian Chemical Manufacturers'
Association, Calcutta.

Subject :—MEDICAL AND TOILET PREPARATIONS DUTY ON .....

Recommendations of Excise Conference of 1937 in respect of rates of,

Sir,

With reference to your letter No. 514, dated 20th May 1941, I am directed to inform you that Government sees no reason to modify its decision, already conveyed to you in Government letter, No. 251-C/39, dated 24th July 1940, in the matter of acceptance of the recommendation of the Excise Conference of 1937 to adopt a uniform rate of duty of Rs. 17-8 per proof gallon on spirituous medicinal preparations which might be used for other than medicinal purposes and on toilet preparations and perfumery.

2. As regards your proposal for deletion of the thirty-two preparations added by this Government to the co-ordinated list of spirituous medicinal preparations prepared by the Government of India I am to state that the matter is still

under the consideration of Government and that the decision that will be reached will be communicated to you as promised in Government letter No. 251-C/39, dated 17th March 1941.

3. As regards your proposal for the adoption by this Government of the Customs classification relating to liquors and dangerous drugs recommended by the Excise Confefence by its resolution No. 14, I am to refer you to Government letter No. 9767-C/33, dated 9th July 1940, and to state that Government sees no reason to modify its decision as conveyed therein.

I have the honour to be,
Sir,
Your most obedient servant,

V. S. BHIDE,
Secretary to the Government of Bombay,
Revenue Department.

APPENDIX 93

Bombay Shops and Establishments Act.

Letter No. 438, dated 20th February 1941, from Chamber to Political and Services Department, Government of Bombay.

The Bombay Shops and Establishments Act has been put into force in Bombay from 15th November 1940. The Act has, therefore, been in operation in the City for now more than three months. The Committee of this Chamber have been in communication with the different trades in the City with a view to find out what are the reactions of this Act on different trades in the City. They had a meeting recently to consider the views they have received from Trade Associations. As a result of these deliberations and written statements they have received, they beg to address this representation to the Government of Bombay to put forth before them the views of the business community.

This Act was placed on the Statute Book to bring about certain amenities for persons employed in shops and commercial establishments, and my Committee trust that Government will appreciate if they are informed of certain difficulties and inconveniences which are experienced as a result of the working of the Act and they hope that Government will be pleased to consider such difficulties and inconveniences and remove them in order that the working of the Act may be successful.

Monthly and Daily hours of work in a Commercial Establishment: Under Section 11 of the Act, it is prescribed that no employee shall be required to work for more than 208 hours in a month. Excluding holidays this would work out on an average to 8 hours per day. The Act further permits additional hours of work upto a maximum of 120 in a calendar year for prescribed occasions such as stock-taking, etc.

It is felt that while 208 hours per month may be allowed to remain as the normal hours of work, it should be permissible for increased hours of work being put in, on payment of extra salary to the employee concerned. It is suggested that extended hours of work upto a maximum of 39 hours per month, on payment of over-time, should be provided for by suitably amending the Section. It may be mentioned that if this amendment is made, an employee will be required or allowed to work on an average upto a maximum of $9\frac{1}{2}$ hours per day.

Extended spread-over for Stock-taking, etc.: Under Rule 6, extended spread-over for stock-taking, etc., for calendar year with a maximum spread-over of 16 hours per day, are allowed for the purpose of a commercial establishment. A similar facility, however, is not provided for so far as shops are concerned. It is suggested that corresponding provisions should be made for increased spread-over of hours of work for shops.

Exemptions: Under Section 4, the provisions of the Act are not applicable to certain types of employees. Thus, it does not apply to a person employed as a watchman. It is, however, reported that Bhayyas who generally work as Watch-

men, but who are sometimes employed for collection of money or Hundis, are not being treated as Watchmen for the purpose of the exemption, and the Department is insisting that the requirements of the Act regarding hours of work, etc., should be made applicable to such Bhayyas.

Again persons occupying positions of management are exempt from the Act; but the Department is not treating 'Munims' as managers for the purpose of the exemption.

Similarly, House managers employed in Cinema houses are not being treated as managers and the Act is made applicable to them. Such artificial distinctions should not be made in interpreting the terms used regarding the class of persons exempted from the Act and the exemption should be deemed to cover the types of persons referred to above also.

Shops open after closing time: Under Section 2(11) 'Open' is defined to mean as open for the service of any customer. This section is strictly interpreted to mean that shop doors should not remain open after the prescribed time and that any employee should not be allowed to be in the premises after such time. Such interpretation is not warranted by the definition in question and no objection should be taken to the presence of employees after stipulated hours or to the mere fact of the shop doors being open if the provisions of the Act regarding the hours of work are not otherwise being infringed. If the mere presence of employees is objected to, the result will be that in the case of many such employees who practically stay in the shop premises, considerable hardship would be caused.

APPENDIX 94

Draft Rules under the Bombay Agricultural Debtors' Relief Act.

Letter No. 689, dated 18th March 1941, from Chamber to Revenue Department, Government of Bombay.

The Committee of this Chamber have considered the draft of rules under the Bombay Agricultural Debtors' Relief

Act, 1939. They feel that the rules are naturally drafted in the spirit of the Act itself and follow the principles laid down by the Act. They have come to the conclusion that it is no use considering these rules, as the Act itself has been, since its inception, opposed by all the sections of the business community and even some sections of the agriculturists themselves. When the Act was in the stage of a Bill and was introduced in the Legislature, my Committee submitted a representation to the Government of Bombay, strongly protesting against the Bill. While they appreciated the desire of the Government of Bombay to relieve the heavy indebtedness of the agriculturists, they were constrained to remark that the way in which the relief was proposed to be given might harm in a vital manner the Shroffs or the village bankers, whom it had become a fashion, in some quarters, to run down and criticise as exploiters. The Shroffs or the village Sowcars have been of inestimable help to the agriculturists, and the way in which the legislation was framed undermines, to a large extent, the working and influence of these Sowcars. The principle of scaling down of debt, in fact, is greatly detrimental, and my Committee firmly believe that there is no other recourse but to withdraw the Act, if Government want to deal justly with the claims and rights of the money lenders. This may appear to be an extreme view ; but my Committee consider that there can be no mending of this particular piece of legislation and that it can only be after its withdrawal that Government can consult all the different interests of agriculturists and the Sowcars and arrive at a common measure of legislation which will deal justly with the claims of both. My Committee may also be allowed to point out again that this legislation is not in the interests of agriculturists themselves. It implies that the agriculturists have lost their credit and it will be very difficult for them to get accommodation for all their different needs, whether for their own occupation or for the different social calls which may come up to them. My Committee understand that Government had agreed to find them an alternative agency for providing credit ; but it has not so far been done. In their previous correspondence, they pointed out that Co-operative Agency,

whatever may be its advantages, has not been able upto now to cope with all the requirements of the situation. Government must, therefore, be prepared not only to expand the scope of the co-operative agency with active help, but also to find or create other agency or agencies to provide credit to the agriculturists. The problem of agricultural indebtedness is so vast that mere tinkering with it by scaling down the debt in a haphazard manner will be worse than useless. It is because of all these reasons that my Committee consider that, unless the Act is first withdrawn, there will be no way out of the difficulties which have cropped up.

Though the Act is on the Statute Book, my Committee beg to place their views regarding the deleterious effects of some of the sections before Government, so as to convince them that the Act in its main aspect is a measure not beneficial, but fraught with great harm, to agriculturists and the money lenders.

Section 17. It is the primary principle of law that no enactment should force people to go to Courts where disputes do not exist. But Section 17 lays down that either the creditor or the debtor should make an application for settlement of debts within 18 months from the date of establishment of Adjustment Boards. In fact, the Act should not apply to debts in respect of which both the creditor and the debtor agree not to approach the Board for settlement. Further, under Section 5, any advance in kind is a loan to an agriculturist under the Act. The Act is to apply after the establishment of the Adjustment Board and under Section 32 any debt in respect of which no application for adjustment is made within 18 months of the establishment of the Board shall be deemed to have been duly discharged. Consequently, any person who sells an article of, say, Rs. 5 to an agriculturist on the last day of the expiry of 18 months' period of the establishment of the Board, shall have to apply to the Board for settlement of that debt the very next day as otherwise it will be time-barred. Further, any loan advanced to an agriculturist on the first day after the expiry of 18 months' period of the establishment of the Board, becomes automati-

cally time-barred. Thus no loans, either in kind or cash, would be available to an agriculturist after the establishment of Boards. These are the anomalies of these sections.

Section 18(2). Under this section, an applicant for settlement of debts had to pay court fees, as under Section 32, if the application for settlement of debts is not made within 18 months of the establishment of the Board such debts are time-barred. Consequently, a creditor will have to apply to the Board for settlement of debts due from the debtor and the cost of court fees will fall on him. This cost is not recoverable from the debtor in decrees.

Section 20. The benefit of this Act is given to debtors whose debts do not exceed Rs. 15,000. The standard of eligibility for the benefit of this Act is fixed too high. A person who secures credit of Rs. 15,000 cannot in any case be considered as deserving of relief. In this connection, it may be pointed out that my Committee had, when the Bill was under discussion, suggested that the operation of the legislation should be confined to debts below Rs. 2,000.

Section 45. This section empowers the Board to re-examine the transactions of sales that took place after 1st January 1937, if the sellers alleged them to be as mortgages. The authority given to the Board will violate sanctity of contracts. So long as the sale is a valid document, the Board should have no authority to go behind the transactions and to treat the sale afresh as a mortgage.

Sections 42, 51, 54(2)(h) - deal with the procedure of scaling down of debts. Under Section 42, amounts due on 1st January 1931 will be scaled down both in principal and interest by 40 per cent except that for transactions commenced after 1st January 1930, reduction in amount of principal and interest should be 30 per cent. After the debts are thus scaled down, they will be further reduced under Section 51 to 80 per cent paying capacity of the debtor and further the amounts thus composed may be paid under Section 54(2)(h) in annual instalments which may run to 25 at maximum. According to this procedure of scaling down of debts, lenders will not

only lose interest on the principal loaned, but will find their capital even much reduced. Consequently, these sections will entirely ruin the money lenders. Illustrations given in Government note on Agricultural Debtors' Relief Act and those in the pamphlet issued by the Gujerat Beopari Maha Mandal bear ample testimony to the above statement.

Section 54(2)(i) - inflicts heavy losses on the village money lenders, and further makes their composed claims recoverable after the claims of Government, Local Authorities and Co-operative Societies are satisfied. This procedure would leave little for the village money lenders to recover from the agriculturists and helps other parties to regain their full dues at the cost of the village money lenders. Whereas, when the village money lenders are coerced to undergo sacrifice, their claims, as a matter of fact, should have precedence over the claims of the other parties who do not bear such sacrifice. However, in the last resort, the claims of the village money lenders should be treated on an equal footing with the claims of other parties.

Section 68(2) - provides an easy escape from the payment of scaled down debt by affording the debtor recourse to insolvency. It empowers the Court to adjudicate the debtor an insolvent, if he is in default of two consecutive or any three instalments payable under the award. Under this section, the debtor will thus be able to file a petition for insolvency before the Court, even if the decree holder is willing to wait for payments.

Section 77. It has been pointed out to my Committee that the provision in this section will interfere with the normal marketing of agricultural commodities and will affect adversely the very agriculturists whom it is intended to protect. The section prohibits alienation of standing crops by any debtor who is a party to the award and who is indebted to a resource society or any person authorised to advance loans under Section 78 without the previous permission of the society or such authorised person. Any such alienation is made void in law. The burden of ascertaining whether a

seller is or is not an agricultural debtor who is indebted to a resource society or an authorised person and whether he has obtained the previous permission of the society or authorised person is thrown upon the buyers of the agricultural commodities concerned. It will be very difficult for the *bona fide* buyers to ascertain and find out whether the debtors conform to the requirements of this section. The result will be that buyers will be exposed to the risk of their purchases being declared void in law if it is found subsequently that the seller is an agricultural debtor who has compounded his debt and who is indebted to a resource society or an authorised person. Free marketing will receive a set-back and in actual practice the agriculturists themselves will find this provision to their disadvantage.

Section 78 - lays down that the authorised persons can only advance loans to debtors in respect of whose debts an adjustment has been made under the Act. This section thus excludes those whose debts are in the process of adjustment from receiving loans.

APPENDIX 95

Bombay Weights and Measures Act — Exemption of Inter-Departmental Weights and Measures.

Letter No. 1086, dated 5th May 1941, from Chamber to General Department, Government of Bombay.

Under Section 12(1) of the above Act all dealings or contracts for any work to be done or goods to be sold or delivered by weights or measures shall be made according to one of the standard weights or measures or sub-multiples thereof. When the legislation in question was under discussion the Committee of this Chamber and other commercial organisations had urged upon Government the necessity for exempting weights and measures used merely for inter-departmental or internal purposes from the strict obligations laid down under the Act and that the provisions of the Act which require inspection, verification and stamping of

weights and measures should not be applied to weights and measures and other instruments used solely for inter-departmental or internal purposes. In justification of such a case for exemption, it was pointed out that as the weights and measures in question were not to be used for trading purposes, the primary object of the Act, viz., safeguarding the interests of the buying public would in no way be prejudiced. Unfortunately, Government did not at that time accept the above suggestion.

Again in the year 1940 Government published a draft notification announcing their intention to exempt certain classes of weights and measures or other instruments when used or intended to be used for purposes other than trade as specified in the said notification. At that time also the Committee of the Chamber pointed out that the relief proposed did not go far enough and reiterated the case for a general exemption of all weights and measures used for inter-departmental purposes.

With the experience of the working of the requirements of the Act, the case for securing exemption for internal weights and measures has again been stressed before my Committee. Many types of weights, measures and weighing instruments are used by business houses and industries for the purpose of day-to-day inter-departmental checks such as measuring supplies of stores from store-houses and godowns to departments, checking the weight of the goods at various stages and for ascertaining weights or measures for personal information of the users as for example in calculating the railway freight to be paid in sending out any consignments. To mention a few instances, in the manufacture of reinforced cement materials, wire rods, cages, etc., have to be measured or weighed in the process of manufacture ; in oil and soap mills weights or weighing instruments have to be used for checking up the materials employed in the manufacturing process ; in chemical works the individual chemicals have to be weighed before being sent to the plants ; in companies concerned with electric supply and generation, stores are issued to the departments after measuring or weighing for purely

engineering purposes ; in textile and silk mills various types of scales are used in the stores department, in the processing department, bleaching department, etc., in the laboratories attached to industrial factories weights and measures have to be used for experimental purposes ; in the tanning industry for weighing tanning materials and for other internal factory use ; in a type foundry for weighing alloys and metals used before such metals are distributed to the workers ; in printing houses for weighing paper used in the press department and in the grain trade for weighing and ascertaining the quantity of samples sent or received.

The above list is intended to be illustrative. From the nature of the uses put and the operations connected therewith, it is quite obvious that they are all engaged for purposes other than trade and the primary object of the Act, viz., safeguarding the interests of the consumer would not in any way be prejudiced by the exemption of weights and measures and weighing instruments used in such inter-departmental operations from the strict obligations under the Act.

My Committee, therefore, request that Government will be pleased to give this matter their sympathetic consideration and to issue a notification under Section 46 of the Act exempting internal and inter-departmental weights and measures and weighing instruments from the provisions of the Act regarding stamping, verification, inspection, etc.

Letter No. 2924/33/G., dated 9th June 1941, from General Department, Government of Bombay, to Chamber.

In reply to your letter No. 1086, dated the 5th May 1941, on the subject mentioned above, I am directed to say that the Director of Industries is at present carrying out a comprehensive survey of weights, measures, etc., used in various industrial and commercial establishments for non-trade purposes. On receipt of recommendations in the matter from the Director, the question will be considered by Government in all its aspects and the orders of Government will be communicated to you.

APPENDIX 96

Bombay Lifts Act.

Letter No. 2749, dated 1st November 1941, from Chamber, to Public Works Department, Government of Bombay.

My Committee have been receiving complaints regarding the hardships experienced by property owners in the matter of the enforcement of the Bombay Lifts Acts and the Rules thereunder. In this connection, it is pertinent to point out that when the Rules in question were being framed, the Committee of this Chamber and other interests concerned were not given an adequate opportunity to place before Government their views and difficulties in connection with the requirements under the Rules. As a matter of fact, my Committee had occasion to address Government in this regard, and their fears that the enactment of the Rules without proper consideration would lead to complications have come true. In response to applications for licence, property owners are being called upon to conform to a long list of requirements. In one instance brought to the notice of my Committee, the requirements to be fulfilled entailed a cost of Rs. 3,517-8 for one lift only. It was certainly neither the intention nor the object of the Bombay Lifts Act to throw such a heavy burden on property owners. The Act and the Rules under the same, it is submitted, should be administered judiciously and in a manner which would not throw avoidable burdens on the property owners. It may also be pointed out that the cost of lift equipment and accessories has, due to war conditions, gone up, and a too technical interpretation and enforcement of the Rules at the present time would mean unnecessary extra expenditure to the property owners. My Committee understand that Government have received other representations also from interests concerned complaining about the severity of the requirements in question. They hope that Government will be pleased to reconsider the whole matter and to see that the requirements other than those absolutely essential for the safety of passengers are not enforced and

that the question of amending the Lift Rules, in a manner which would not entail too heavy a burden on the owners will be taken in hand.

APPENDIX 97

Electric Companies and Revision of Maxima Charges.

Letter No. 834, dated 7th April 1941, from Chamber to Public Works Department, Government of Bombay.

The attention of the Committee of this Chamber has been drawn to a recent notification of the Public Works Department, Government of Bombay, recommending certain alterations in the maxima charges for the supply of energy fixed by the Poona Electric licence. The effect of these alterations would be practically a reduction by 50 per cent in the charges. It is true that such a recommendation was made by the Advisory Board appointed by Government. While my Committee are in favour of the appointment of Advisory Boards for the consideration of issues arising under the Indian Electricity Act, they submit that Government should take great care with regard to the appointment of such Boards. Government cannot be unaware of the conditions now prevailing when materials essential for electrical undertakings have increased in prices to an abnormal extent. Before the Advisory Boards recommend any alterations in the maxima charges, they must study the price levels, whether up or down, and they must also consider the local situation. What may be suitable for a large town or city may not be suitable for a small town or village.

With regard to the constitution of an Advisory Board my Committee beg to suggest that such a Board may well consist of a representative each of the Indian Merchants' Chamber, the Bombay Chamber of Commerce and the Association of Electrical Undertakings and, if necessary, a recognised Auditor. The findings of such a Board will command public confidence as also the confidence of the companies concerned. My Committee beg, therefore, to request that

the Government of Bombay will be pleased to appoint a Board as suggested above.

Letter No. 3398/36-M., dated 16th August 1941, from Public Works Department, Government of Bombay, to Chamber.

With reference to your letter No. 834, dated the 7th April 1941, I am directed to state that the suggestion made by your Chamber regarding the constitution of an Advisory Board will be carefully considered should it become necessary to appoint another Board.

APPENDIX 98

Bombay Municipal Act — Abolition of Special Constituencies.

Letter No. 1174, dated 21st May 1941, from Chamber to General Department, Government of Bombay.

The attention of my Committee has been drawn to the adoption by the Bombay Municipal Corporation of a recommendation made by the Law, Revenue and General Purposes Committee of the Bombay Municipality for the amendment of the Municipal Act with a view, *inter alia*, to secure the abolition of the special constituencies. It would appear that a draft Bill embodying the recommendation in question is under preparation and that after the same has been approved by the Corporation, the Government would be approached to amend the Municipal Act accordingly.

The Indian Merchants' Chamber is one of the special constituencies affected by the recommendation in question. My Committee are strongly opposed to this move as, in their opinion, it is a retrograde step and is not only not in the interests of the commercial community of the city, but not in the interests of the Corporation also.

My Committee would, in this connection, like to refer to the genesis of the move. The question of the adaptation of the Municipal Act to suit the requirements consequent upon the introduction of adult franchise from the next term

was under consideration. The Commissioner in submitting his proposals had suggested that as with the introduction of adult franchise the voting strength of the working classes would increase, a separate constituency for labour interests would no longer be necessary. During the discussion of this suggestion, as if in the nature of a consequential change, it was urged by some interests that the special representation granted to Chambers of Commerce and the Millowners' Association should also cease "as it would be invidious to cancel the Labour Constituency and to retain other" special interests. My Committee are unable to appreciate the reasoning adopted by those concerned in their conclusions as above. Their particular object, however, in referring to the genesis of the move is to point out that the question came to be considered by the Municipal authorities almost by accident, in the mistaken belief that administrative convenience for conducting the elections under the new franchise qualifications would be facilitated by such a step.

My Committee would also like to point out that it was wrong in principle on the part of the Municipal Corporation to have made suggestions regarding the constitution of the Corporation as such. My Committee venture to suggest that proposals in that regard should have emanated from the Provincial Legislature or the Executive Government and the Corporation itself was not expected to go out of its way to make suggestions of such a far-reaching character affecting the very constitution of the organisation.

Functional or special representation has now been recognised as the best method of securing the presence in the bodies concerned of men qualified to speak with knowledge and authority on behalf of the special interests they represent and on general issues concerning broad economic principles. The Montague-Chelmsford Reforms recognised for the first time the principle of special representation through public bodies and the Constitution Act provided for the creation of special constituencies in the Legislative bodies. The case for the retention of this method of representation for securing expert advice in our legislative bodies was ably stressed by the Indian

Franchise (Lothian) Committee in its report submitted in the year 1932 in connection with the question of constitutional reforms for the country. It is observed therein :

> ". . . The suggestion has been made that the general constituencies can be relied on to return in sufficient numbers members whose experience is such as to enable them to speak with authority on economical and industrial questions and that special representation for commerce and industry is unnecessary in the new legislatures. We are unable to accept this view. Functional representation is assuming increasing importance under modern conditions, and the arguments in favour of making special provision for the presence in legislative bodies of business and economic experts is in our judgment a strong one. While general constituencies may not infrequently return individuals whose knowledge and experience is such that they can make contributions of value in discussions on commercial and industrial questions, those members speak primarily as representatives of their general constituency, and they may on occasion find that the claims of that constituency are difficult to reconcile with a wholly dispassionate examination of particular economic issues. There is moreover no certainty that persons qualified to speak with authority on these largely technical matters will be returned through the general constituencies. The danger that in the absence of special representation for commerce and industry, the new legislatures may find themselves deprived of expert advice when it is most needed is in our view a real one. The civil service, which advises the ministers, has indeed an expert and intimate knowledge of the ordinary administration of the country. But its members have, as a general rule, no first hand experience of those great commercial, industrial and banking undertakings which play a rapidly increasing part in the life of every community in the modern world. It is, therefore, in our considered view desirable in order that the legislature may be better equipped to deal with economic subjects, that a certain

number of seats should be filled by representatives of commerce and industry, who will speak in the legislatures from the expert and technical point of view."

The Government of India also in their memorandum submitted to the Simon Commission supported the system of special representation in the following words :—

". . . the recognition of Chambers of Commerce as electoral constituencies is a privilege which has long been enjoyed. The arrangement succeeds in securing men of weight in the commercial world as members of the legislatures. It sends them to the legislatures with a mandate from an authority which remains competent to enforce it, and it facilitates their continuous attendance. A Chamber can always get its representative to resign if he cannot attend the legislature, and can elect another without difficulty, whereas the process of substituting a representative of a general constituency is far more cumbrous."

What is true of bodies concerned with the Government of the country in the political sphere applies equally to bodies representing Local Self-Government like the Municipalities.

One reason given by the Committee and sub-Committee of the Corporation in support of their proposal under discussion was that "when as a result of Adult Franchise every adult in the city will be enfranchised there is no longer any necessity to continue representation of special interests on the Corporation." My Committee cannot do better than quote the reply given by the Lothian Committee above referred to, to the same argument advanced in justification of the plea for abolition of special constituencies in the legislatures. It said :—

". . . While general constituencies may not infrequently return individuals whose knowledge and experience is such that they can make contributions of value in discussion on commercial and industrial questions, those members speak primarily as representatives of their general constituency, and they may on occasion find that

the claims of that constituency are difficult to reconcile with a wholly dispassionate examination of particular economic issues. There is moreover no certainty that persons qualified to speak with authority on these largely technical matters will be returned through the general constituencies."

The Committee of the Corporation further urged that "the Corporation as a civic body is responsible for the civic Government of the City and as such has nothing to do with the safeguarding of the rights and privileges of special interests existing in the city." My Committee are surprised that such a statement should have been made in all seriousness. The members constituting the special interests also form part of the city and their claims and requirements should be as much the care of the Municipal authorities as the day-to-day civic problems. What is more, Bombay owes its eminence to the commercial importance of the city. It is a port town and an industrial centre ; its civic importance arises from its importance in all these walks of life and it is the pre-eminence of the city as the largest commercial and industrial centre of the country which has earned for the place the proud title of "Urbs Prima in Indis". It is ignoring the realities of the situation to suggest that the city and the Municipality are not concerned with what happens to the trade and commerce of Bombay. It is unfortunate that a body of public men should have taken so narrow a view of their municipal functions. Just as in the Legislative bodies, the Corporation as a self-governing body is also concerned with questions of finance and taxation includig taxes falling particularly and exclusively on commercial interests. Expert knowledge of commercial representatives in regard to such matters should, on the contrary, be deemed as welcome.

It may not be considered as inappropriate if my Committee were to point out that the Corporation although it is purely a civic body is itself given representation in various other bodies, some of them mainly of a commercial character. Thus, in the Bombay Port Trust, in the Local Advisory Committee of the G. I. P. and the B. B. & C. I. Railways, there

is not any special civic interests involved in the administration or management of such bodies. Even if there were, the other representatives on the bodies in question may be assumed to show sufficient civic sense in safeguarding the general interests of the Corporation as the custodian of civic rights and privileges. But as an issue of principle it has been recognised that it would be more in the fitness of things if the Corporation itself had direct representation. It may also be pointed out that the suggestion of the Corporation is not in keeping with the special claim made by it at the time of the last constitutional changes for direct representation to the Corporation in the Provincial Legislature. The civic condition of a city is intimately inter-twined with the general economic conditions and there should, therefore, be no question of any water-tight classification of the rights and duties of all such public bodies as is sought to be made out in the report of the Committee of the Corporation in question.

My Committee may, in conclusion, be allowed, with pardonable pride, to point out that in the past the representatives of special constituencies have made substantial contributions in the successful working of the Bombay Municipality as a civic body. Such representatives have in the past been active members of some of the Special Committees and their record of work in the Corporation will reinforce the claim for the continuation of the system of special representation.

My Committee hope that Government will give this matter their sympathetic consideration and will not agree to amend the Municipal Act on the lines contemplated by the Municipality with a view to doing away with the system of special representation.

APPENDIX 99

Bill to amend the Bombay City Municipal Act.

Letter No. 2370, dated 20th September 1941, from Chamber to General Department, Government of Bombay.

With reference to the Press Note issued by the Government of Bombay, General Department, No. S. 108/3325/A,

dated 4th July 1941, published in Part I of the Bombay Government Gazette in connection with the Draft Bill to amend the City of Bombay Municipal Act, 1888, I am directed to send hereby the views of my Committee thereon as under :

Clause 9 of the Draft Bill proposes to add two new Sections 368-A and 368-B to the Act. Section 368-A proposes to empower the Municipal Commissioner to compel the owner or occupier of a trade premises to remove all trade refuse to the place of final disposal. Section 368-B empowers the Commissioner to contract with the owner or occupier of a trade premises for the removal of all trade refuse. However, under Section 367 of the Act the Commissioner himself is required to remove such trade refuse. The two new additional sections, proposing to transfer this responsibility of removing trade refuse to the owners or occupiers of trade premises, are not in accord with Section 367 ; and as the Municipal Taxes are being paid by the industries, on whom the responsibility for removing such refuses is proposed to be transferred, my Committee feel that there is no justification for such a transfer of responsibility which the Municipality are required to carry out under the Act. They, therefore, suggest that these two additional sections should be deleted from the Bill.

Clause 13. Licences are generally granted in cases where the operation of manufacturing cow-dung cakes is not likely to be a source of nuisance to the neighbours. The statement of Objects and Reasons for the Bill states that dung-cakes are manufactured without licence at several places in the City and under the existing powers the owners of land on which such cakes are manufactured cannot be prosecuted. Therefore, under the proposed new Section 383-A adequate powers are suggested to prosecute the owner of the land on which such operations are carried on, as also stable owners who allow private persons to carry away dung from their stables. My Committee suggest, in this connection, that if such operations are carried on without the knowledge, consent or connivance of the owner, the owner should not be made liable for prose-

cution, and the amendment under reference should so far be modified.

The new Section 386(2) empowers the Commissioner to construct baths and levy fees for the use of the same. My Committee feel, however, that the relevant Section 368 does not prevent the Commissioner from levying fees for the use of baths. They, therefore, suggest that the additional Section 386(2) is not necessary and should be dropped.

APPENDIX 100

Amendments to the Bye-Laws of the East India Cotton Association, Ltd., Bombay.

Letter No. 5789/6005-D., dated 11th March 1941, from Finance Department, Government of Bombay, to Chamber.

I am directed to invite the attention of your Chamber to Government Notification, Finance Department, No. 5789-D, dated the 10th March 1941 which has been published in Part IV-B of the Bombay Government Gazette Extraordinary, dated the 11th March 1941. A copy of the Notification is *enclosed herewith for ready reference.

Letter No. 705, dated 19th March 1941, from Chamber to Finance Department, Government of Bombay.

I am directed to acknowledge receipt of your letter No. 5789/6005-D of the 11th instant and in reply to say that my Committee approve of the Amendments proposed to the Bye-Laws of the East India Cotton Association, Ltd., as published in the Government Notification No. 5789-D, dated the 10th March 1941.

Letter No. 802, dated 3rd April 1941, from Chamber to Finance Department, Government of Bombay.

I am directed to refer to your letter No. 5789-D, dated the 25th February 1941, and in reply to say that my Com-

* Not printed.

mittee approve of the amendments to the Bye-Laws of the East India Cotton Association, Ltd., as published in Government Notification No. 5789-D, dated 21st February 1941.

APPENDIX 101

Amendments to the Rules of the Native Share and Stock Brokers' Association.

Letter No. 2902/14485-D., dated 16th July 1941, from Finance Department, Government of Bombay, to Chamber.

I am directed to enclose a copy* of Government Notification, Finance Department No. 2902-D, dated 15th July 1941, which has been published in Part IV-B of the Bombay Government Gazette Extraordinary, dated 16th July 1941, containing amendments to its rules submitted by the Native Share and Stock Brokers' Association, and to request you to communicate to Government the views of your Chamber if any, on the proposed amendments before the 15th August 1941.

2. The amendments are intended to enforce a scheme of compulsory intermediate settlements in certain circumstances. A copy of the memorandum submitted by the Native Share and Stock Brokers' Association explaining the scheme and the amendments consequential on it is enclosed for your information.

Accompaniment to Government letter, Finance Department, No. 2902/14485-D, dated 16th July 1941.

Memorandum submitted by the Native Share and Stock Brokers' Association explaining the scheme.

Amendment to Rule 90(a)(6)(i): Under the margin rules, and intermediate settlement will have to be effected in the case of a scrip, in the price of which there has been a fall exceeding 10%. It would not be, therefore, advisable to close the whole market.

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* Not printed.

2. **Amendment to proviso to Rule 90(a)(6)(i):** As we are introducing the margin system, though it will not be necessary at every intermediate settlement to close the market, when there are chances of settlement not going through smoothly, as in the case of a crisis or a big fall, it may appear necessary to close the market for 2 days. In times of emergency it will not be convenient to obtain Government's sanction for closing the market one day further. Hence the amendment.

3. **Amendments to Rules 119(d), 253(a), 253(c) and Form A in Appendix H:** These are consequential to the margin rules.

4. **Substance of the Margin System:** The Rules 358 to 364 relate to compulsory margin scheme and require elucidation.

Each new settlement starts mostly with carry-over or budli business. The Rule 358 gives the Board the power to fix a maximum price for each security for budli business. In other words, the Board declare the prices at which credit may be extended to the buyers. For instance, the Board fix Rs. 2,000 as budli price for Tata Deferred as provided in Rule 358(*b*). It is proposed that all budli business as provided in Rule 358(*c*) should be done at or below Rs. 2,000. It is, however, not possible to prohibit such business above Rs. 2,000, the official budli price, if parties to the contract agree. Such a restriction cannot be enforced without the assistance of legislature. The fixation of budli prices is only essential for the purpose of determining margin prices. The carry-over or budli is effected at or below Rs. 2,000 the official budli price or even above this price. The market thereafter declines. If the decline is to the extent of 10% from the official budli price, i.e., from Rs. 2,000 to 1,800, the margin will be demanded from the purchaser under Rule 360(*b*)(1)(*i*). If there is a further fall of 10% from the margin price so fixed, i.e., from 1,800 to 1,620 further margin will be demanded under Rule 360(*b*)(1)(*ii*), and so on for each successive fall of 10% from the previous margin prices fixed.

Again, if there is a rise of 10% after margin money is paid, i.e., either from 1,620 to 1,800 or from 1,800 to 2,000, the buyers shall be entitled to claim the refund of the margin already paid under Rule 360(*b*)(2).

You will thus notice that the margin money to be paid or to be refunded is not to be calculated as so much per cent on the purchase price but it is to be paid by way of difference, as provided in Rule 361, between the contract price and margin price fixed by the Board under Rule 360(*d*).

Suppose budli is done at different prices for different clients, say, for A at 1,950 and for B at 2,050. The official budli price is 2,000. Margin price fixed is 1,750. A will have to pay Rs. 200 = 1,950 − 1,750, whereas B will have to pay Rs. 300 = 2,050 − 1,750. You will thus see that whatever the budli prices of the contract may be, all purchases in a falling market are brought down to the level of the prevailing market prices on the first payment of margin money and the risk is thereby entirely minimised.

Now take the reverse case, after carry-over of the purchases, there is, instead of a fall, a rise in market prices, no margin under the rules is to be paid. Now after the rise of 10% over the official budli price, the market declines, the margin is to be demanded, but only when the market prices reach the level of official budli prices. This is Rule 360(*b*)(3). This policy of the Exchange is based on the principle that a borrower cannot claim any further advance over the initial credit given to him, that is, over the official budli prices. This is provided in Rule 360(*d*).

The most important rule is 360. The other rules merely lay down the procedure to enforce margin as and when arising.

A good deal of publicity is given without properly understanding the function of the margin to the question of not fixing any margin price when there is a rise of 10% or more in prices over the budli prices fixed. This is a most technical subject, which is not readily grasped by a layman and cannot be fully understood by the general public.

Suppose A has bought 10 Deferreds at 1,900. He neither takes delivery of shares nor takes the profits at the ruling rate of 2,000 but decides to carry-forward at 2,000. In other words, he borrows money at the prevailing market rate, that is, he gets the full credit from, and without depositing any margin with, the takers-in who may either be banks or money-lenders.

The prices thereafter go higher and higher week after week. Is it fair and equitable that a borrower should demand further advance of money, i.e., margin week after week. Suppose the rate rises to 2,300, no bank or money-lender would agree to advance a further sum of Rs. 300 = 2,300 − 2,000. Why should they ? They are not speculators. They have invested their funds to earn interest and they must not be required to take further risk of the speculative purchasers. The another instance. An investor sells his shares at 2,000. After the sale, the prices rise to 2,300. Can a buyer legitimately claim from the *bona fide* seller a sum of Rs. 300 ? Why should the seller pay Rs. 300 to the buyer ? He has simply to deliver the shares on due date and recover Rs. 2,000. Why should he be compelled to pay Rs. 300 at the intermediate settlement and recover Rs. 2,300 on the Pay Day. If the buyer fails eventually to take delivery, the unfortunate seller will not only suffer a loss but also lose the sum of Rs. 300 paid from his cash box for no consideration whatever.

It will be realised that the critics have not figured out the effect which will follow from the system of margin to be paid by the seller to the buyer, i.e., by the leader to the borrower in a bull market. Such a procedure will play more mischief rather than do any good. Bull speculators would in such cases be encouraged to over-trade as they can realise unearned profits quickly week after week.

The only possible argument that may be advanced by the critics is that it will encourage short selling, but they forget that if bears have not to pay any margin at the intermediate settlement they have after all to pay the difference at the end of the settlement. Besides, we know from our

past long experience of the market, that 15% are short sales whereas 85% are *bona fide* sales. We, therefore, do not experience a crisis when prices are booming but it is only when slump eventually follows boom, the buyers fail to meet their liabilities with the resultant crisis.

No one will deny that short sellers under the scheme are not required to pay the margin, but this so-called disadvantage of the scheme is out-weighed by the advantages. After viewing the scheme from all the angles, the Exchange is of opinion that when the scheme comes into operation there would be a diminution of business for its members but the business would be more healthy.

Letter No. 1959, dated 13th August 1941, from Chamber to Finance Department, Government of Bombay.

With reference to your letter No. 2902/14485-D, dated the 16th July 1941, I am directed to send to you hereby the views of the Committee of the Chamber on the same.

The proposed new rules in the draft, viz., Rules 358 to 364, relate to the introduction of a system of compulsory margin. The principle underlying the demand for intermediate margins, when the market declines, is on the whole sound and my Committee support the scheme as embodied in the new rules in question.

Rule 90(a)(6)(i). Undert the Rule, as it stands at present, the Board of the Native Share and Stock Brokers' Association is entitled to close the market for 24 hours. It is proposed to amend the rule in a manner which would enable the Board to close the market "with respect to all or specified securities", i.e., without closing the whole market, they could close the market for transactions in a particular security.

My Committee are not agreeable to such a partial closing and beg to oppose the amendment in question.

Rule 90(a)(6)(i). The Board of the Association is empowered to close the market for 24 hours. It is proposed to

amend the rule with a view to give power to the Board to close the market for two working days.

My Committee approve of the amendment.

Letter No. 2338, dated 17th September 1941, from Chamber to Finance Department, Government of Bombay.

I have to acknowledge your letter of the 28th August 1941, enclosing a copy of the Government Notification, Finance Department No. 2902-D, dated 18th August 1941, regarding above and to send the views of my Committee regarding the said amendments as under :

Rule No. 115. Under this rule the Board is empowered to extend the time with regard to references for arbitration or appeals against award of arbitrators etc., "whether the time for maping the same has expired or not." My Committee suggest that instead of the Board, the President of the Association should be empowered to extend the time before the expiry of the period.

The rest of the amendments have my Committee's approval.

IV.—GENERAL TRADE AND INDUSTRY.

APPENDIX 102

Interview with the Hon'ble Sir A. Ramaswamy Mudaliar, Commerce Member of the Government of India.

Speech of Mr. M. C. Ghia, M.L.A., President, Indian Merchants' Chamber, at the interview with the Hon. Sir A. Ramaswami Mudaliar, Commerce Member of the Government of India, on Tuesday, the 15th July 1941.

Sir Ramaswami Mudaliar,

I have great pleasure in welcoming you to this meeting of the Committee of the Indian Merchants' Chamber for the discussion of a few questions which are dealt with by your Department.

1. **Insurance Act—Investment of Funds.**—I should like first of all to take up the question of a provision in the Insurance Act, 1938, relating to investment of funds. I know from my insurance friends that you have been taking a good deal of interest in amendments of this Act which was piloted through the Assembly by Sir N. N. Sarkar. It was a big piece of commercial legislation and there were necessarily several points left which had to be considered afterwards in the light of experience. There was a pressure of time and any delay might have meant torpedoeing an important piece of commercial legislation. It now rests with you, Sir, to give effect to several suggestions for amending this Act and looking to your sympathetic attitude towards the progress and development of insurance business, I am sure, that you will consider all such amendments favourably. One of these amendments which I want to place before you today and about which my Committee have already addressed your Department is a provision under Section 27 of the Insurance Act which compels Indian Life Offices to compulsorily invest full 55% of their assets in Government and approved securities. Any restraint on a commercial concern with regard

to its investments is bound to react adversely on the progress of that concern. We realise, at the same time, that there are certain concerns on which some restraint will have to be imposed on account of the very nature of their business. Time was when it was considered necessary to have such restraints on Indian insurance companies when the insurance business was in its infancy. Indian insurance business, however, has now made large strides in progress and it is necessary that the position should be reviewed from a larger angle of vision. While saying this, it must be understood that my Committee do not want to withdraw all restraints whatsoever ; they merely want to suggest that greater freedom should be given to the insurance companies in the matter of distributing their investments. You are aware, Sir, as to how the rates of interest obtaining for Government securities have gone down considerably and this means a considerable diminution in the income of insurance companies. As already pointed out, in foreign countries, particularly in the United Kingdom, there is no such restriction on investments and if Indian life companies are to have a fair chance of earning sufficient interest income to enable the grant of reasonable rates of bonuses in comparison with what may be allowed by non-Indian companies, it is necessary that they should be given greater freedom under the Insurance Act of this country also. It is significant to point out that foreign companies working in India have not to depend solely on their interest income in India for the grant of bonuses to their policyholders. Such restrictions also prevent investment of insurance funds in first class Indian industrial undertakings, with the result that the industries of the country do not get that advantage which they would have otherwise got by the investment of such funds in industries. Under the circumstances, my Committee beg to urge on the Government of India the desirability of amending Section 27 of the Insurance Act with a view to reducing the proportion of compulsory investment in Government and approved securities. Two years have already elapsed since the placing of the Insurance Act on the Statute Book and it may, therefore, be safely said that Government have got sufficient experience of the working

of the Act during this period and it will not be considered that suggestions are made to amend the Act before any sufficient experience of the working is gained.

2. **War Risk Insurance.**—Another question which my Committee would like to place before you is also relating to Insurance—this time with regard to War Risk Insurance. When this scheme was first formulated, my Committee, in common with other mercantile bodies approved of it, though they expressed their strong opinion that the rate of premium at ⅛% per month proposed by Government was excessively high. It was suggested by them that the rate of premium should be fixed at the first instance at 1/32% per month with a proviso that, on the basis of experience gained, the same should be reduced further. While this suggestion was accepted after a few months the rate of premium for War Risk Insurance was increased from 1/32% to 1/16% which was most extraordinary, looking to the original assurance given by the Government of India. My Committee at that time sent a strong protest. This War Risk Insurance has proved a heavy burden to trade and industries and it will have an adverse incidence on the agriculturists also. Later on the attention of my Committee was drawn to the fact that there was no provision in the scheme for any refund. This naturally works harshly upon the merchants concerned. We suggested that on the lines of an ordinary fire policy, war risk policies should be made transferable and that declaratory policies should be allowed for purposes of the war risk insurance. If Government, however, were not agreeable to this suggestion, policies for a period of one month should be issued at 1/12th the annual rate.

My Committee would also like to suggest that Commission Agents who have an interest in insuring cotton or goods against which they have advanced money should be considered eligible for insuring their cotton or goods under the War Risk Insurance scheme. There is a large business here of this nature and it is not fair that these people who take such risks should be precluded from safeguarding their interests under the War Risk Insurance scheme.

3. **Section 58 of the Indian Companies Act—Reduction of Capital.**—We would also like to draw your attention to the practical difficulties experienced in conforming to the requirements of Section 58 of the Indian Companies Act in the matter of reduction of capital. The consent of every creditor is required before a company can reduce its capital. In the case of an insurance company, every policyholder will be a contingent creditor and as the number of policyholders in an insurance company is generally large, and spread not only in India, but in places outside India like Burma, Ceylon, Federated Malaya States and Africa, it is almost impracticable to get such individual consent. We are aware that under Section 59 such consent can be dispensed with on the company depositing which the Court an amount sufficient to cover the debts. In the case of a Life Insurance company particularly, this alternative is not feasible as the Life Insurance Fund is absolutely reserved for the sole benefit of policyholders. It is, therefore, difficult to set apart again a sum from the Life Fund to secure the interests of policyholders whose consent has not been obtained. Moreover, it is unnecessary in case of Life Insurance Companies which had their actuarial valuations, and have disclosed surpluses. Similar difficulties will arise in the case of companies in general which have issued bearer debentures. Under the corresponding provisions of the English Companies Act, the Court can in its discretion waive the consent of any class or classes of creditors and we suggest that a similar provision should be introduced here also.

4. **Merchandise Marks Act—Marking of Country of Origin.**—The Committee of this Chamber had addressed the Government of India with regard to the Merchandise Marks Act when it was in the stage of a Bill and in fact even long before that, that the country of origin should be marked on all non-Indian or foreign goods specifically. This suggestion, unfortunately, was not accepted by Government at that time. Recently Government have addressed the Chambers of Commerce and Commercial Associations asking if any of their members have any suggestions to make for requiring goods to show an indication of origin they may

indicate as to which class of goods and in what manner such marking should be made. My Committee have again repeated their suggestion that the best thing that Government could do was to enforce compulsory marking of the country of origin on all imported goods. We have also suggested that if Government cannot accept this proposal, they may alternatively accept the proposal that all classes of imported articles for which there is a corresponding indigenous production here should be compulsorily marked. Our attention has also been drawn to a class of goods which are manufactured in India, but the owners or proprietors of which are British or foreign companies, on which the names of such owners with their foreign addresses are marked without any counter indication to show that the goods are manufactured in this country. This practice secures to such articles a preference in the belief that they are of foreign origin although they are actually manufactured in India. My Committee have been carrying on correspondence long since with regard to this matter with Government, but, unfortunately, no relief has been given upto now. These remarks apply specially to companies, British or foreign, which have established themselves in this country and are producing goods like cigarettes, pharmaceutical products, etc. While ordinarily people will prefer goods made in this country, there are certain classes of goods like cigarettes and pharmaceutical products with regard to which some people fancy that they are better if manufactured in foreign countries. It is because of this that these British and foreign companies, though they are manufacturing these goods here, do not specify that they are manufactured in India and are consciously or unconsciously misleading the public. We beg to suggest, therefore, that in such cases a counter indication of the country of origin should be made compulsory. Place of manufacture should continue to be marked in all the stages and no marks should be allowed to be effaced by a wholesaler or a retailer.

5. **Sea Customs Act.**—Another point to which my Committee would like to draw your attention is with regard to the confusion which arises with regard to the assessment

of imported articles. The Customs Departments at various ports either assess them on invoice value or on market value, and several times even at the same port articles are once assessed on invoice value and at another time at market value. It is to the interest of trade that there should be a continuity in the system as also a similarity in the procedure adopted at different ports. The present confusion does not conduce to the progress and furtherance of trade and my Committee have, therefore, addressed your Department requesting that in cases where the importers are getting their supplies from sole distributors at the other end direct under an indent system and where the supplies are not received through the medium of any representative or agent in India of the manufacturers or the exporters at the other end, the duty should be recovered on the invoice value and not on the market value. It is reasonable to presume that in such cases of direct transactions the invoices represent the correct value at which the goods have been purchased and as such the duty should also be based on the values indicated in the invoices.

6. **Export Trade — finding new markets, etc.**—My Committee followed the discussion in the Export Advisory Council with regard to finding new markets for the products of this country with great interest. They appreciate the interest you, Sir, are taking in this question and also appreciate the steps which are already taken like appointing an Indian Trade Commissioner for Australia, as a means to that end. They may be allowed, however, to point out that still much remains to be done and that the wheels of Government have been moving slowly. Already more than one and a half years have passed since the beginning of the war and the active effects of any steps that may have been taken or that may have been intended to be taken to replace the markets which have been lost, are naturally not seen. My Committee cannot agree that the Meek-Gregory Mission to the U. S. A. was in any way a success. We would like to urge, as we have been urging upto now, that Trade Missions, if they are meant to be successful, should consist of businessmen and be sent out to countries both far and near where our export

trade can be developed. While the difficulties in the way of such expansion like want of shipping facilities, war time conditions, etc., are realised, we feel that if more active steps are taken, tangible results can be achieved. The loss of our vital trade with some of the belligerent countries is not exactly realised because, perhaps, of the war time exports. But the loss is there and its reaction on our raw products and on the trade in general cannot be doubted.

7. I should like to make a few observations with regard to licences for exports of oilseeds, a matter to which my Committee had referred in their letter to Government. So far back as the beginning of this year, the attention of my Committee was drawn to the arrangements in connection with the distribution of orders for oilseeds and oilcakes on behalf of the British Ministry of Food, which orders were placed through the East India Grain and Oilseeds Shippers' Association, London. This Association allocated the orders of the Ministry of Food according to the quotas of the shippers arranged on the basis of shipments of the previous three years to the United Kingdom only. As a result of this arrangement most of the Indian exporters were left out from the quotas though they had direct connections with consumers at Hamburg, Rotterdam, Marseilles, Genoa, etc., for a number of years. It was suggested by us that the proper procedure for the purpose of fixing the quota would be to calculate the same on the basis of shipments made from India to all countries, i.e., on the basis of the figures of exports which may be procured and verified from the records of the Custom Houses in this country. In reply to this Government wrote to us that the selection of firms through whom orders should be placed for purchase of oilseeds from India was entirely a matter for decision by His Majesty's Government and that the Government of India were unable to interfere in the matter. My Committee in reply to this stated that they could not agree that the Government of India were helpless and that the people of this country naturally looked to the Government of India for relief and protection. What has happened is that only a few firms are given orders for

purchase of oilseeds from this country by His Majesty's Government and they have practically become monopolists. I have, therefore, to request you, Sir, to reconsider this question and in the interests of the Indian agriculturists and Indian interests in the export trade to take up this matter with His Majesty's Government with a view to the purchases on behalf of Government being distributed among all Indian exporters on the basis of the share of the trade enjoyed by such exporters in the previous years.

8. **Reconstruction.**—Measures taken to find out new markets for our exports will also be useful in the work of reconstruction which you have recently undertaken. While congratulating you on your breadth of vision with regard to taking steps for the appointment of a Committee for reconstruction, while the end of the war is not yet still in sight, my Committee regret deeply that the Committee which has been appointed consists entirely of officials and it will defeat its very object if non-official businessmen are not taken. The work of reconstruction in every country can only proceed on sound and systematic lines if merchants and industrialists are to work side by side with Government officials. In fact, it is mainly the support of businessmen and industrialists which is required for such a tremendous work, as it will be after the war is over. My Committee, therefore, suggest that there should be radical changes in the constitution and the personnel of the Committee you have appointed if that Committee has to do any genuine and solid work in the interests of the country at large.

9. **Import Control.**—Coming to the question of imports, you must be remembering, Sir, that there was a conference held of Trade interests in the month of January in connection with the institution of a system of control for import of coaltar dyes. Since then my Committee are receiving frequent enquiries from the interests concerned of the outcome of the Conference and we should like to be enlightened as to whether Government have formulated their proposals for administering the control scheme in the light of suggestions made to them by representatives of trade interests. The chief ques-

tion on which we would like to get information is to whom the quotas for imports which would have been otherwise claimed by foreign enemy firms will be apportioned. Government, my Committee are informed, are still considering the questions relating to the application of the restriction to the various classes of dyes and whether the same should be accompanied by rationing of supplies. We hope that an early decision will be arrived at in the interests of trade and industries. In this connection, my Committee suggest that with regard to importers who are given certain quotas for imports they should be required to stipulate that they give the first preference to the mills or factories which had placed their indents with them as it was obviously upon the basis of these indents that they got their quotas.

Before I close my notes on the import question, I would like to refer to the recent embargo announced regarding the import of raw cashewnuts from Portuguese East Africa. A big quantity of cashewnuts is imported from Portuguese East Africa and our merchants after treating them here re-export them to U. S. A. which has become a very good market for these nuts recently. India imports cashewnuts of the value of Rs. 24 lakhs of which Rs. 18 lakhs worth is from Portuguese East Africa. They are then roasted in this country, skinned, graded, dried, peeled and packed in tins and cases for being exported to U. S. A. It has formed a very good business recently and both traders and labour people are gaining through it. My Committee put forward all these facts last year before Government who, while they were unable to issue an open general licence for the import of cashewnuts from Portuguese East Africa, were willing to issue the necessary import licences. My Committee would like to know whether the additional restrictions with regard to difficult currency countries in an announcement made on the 25th June 1941 was tantamount to a total embargo on the import of cashewnuts. It is a trade in which several of our members are interested and looking to the present loss of markets we should like to be assured by you, Sir, that this trade will not be lost.

10. **Shipbuilding in India.**—Before I conclude my remarks, I would like to refer to some shipping problems. Every important aspect of the war has emphatically brought home to all of us that every maritime country should have facilities in its own country for building ocean-going ships. The Governments of Canada and Australia have done all they can for increasing facilities for building ships in their own shipbuilding yards and to give such aid to that industry as has been deemed necessary. Seventeen years ago the Indian Mercantile Marine Committee recommended the development of this industry in this country and last year the Vice-Admiral, Sir Herbert Fitz Herbert, also strongly emphasised its need by remarking "that the sooner a shipbuilding industry is started the better for India." It is essential for India to build ships in times of peace for furthering her national economic policy and to build the same during times of war for the purpose of common defence and meeting the needs of the war. If, in fact, the shipbuilding industry had received the necessary impetus and encouragement from Government while the Indian Mercantile Marine Committee recommended that work to be done, it would have found a firm and sure footing long before and India would have been of immense help to the Empire in its time of need and stress. My Committee now suggest that looking to the importance of this industry the necessary priority whenever required should be given to it without any delay.

My Committee are glad to note the statement which you made in your speech in the Council of State that "it is not merely by leasing sites but by using its good offices with the Government of the United Kingdom and by supplying the very essential steel which otherwise would not have been supplied to any other industry under present conditions that we have been helping the starting and the progress of the shipbuilding yard." We hope that in consonance with this policy every facility for the purchase of steel and machinery in the country or their import from outside will be given to the shipbuilding industry and any help which is required to enable it to build ships in India will be forthcoming.

11. Indian shipping has got only 25% of the coastal trade of India, Burma and Ceylon and practically no share of the overseas trade. The Government of India assured the public so far back as 1929-30 that it was their responsibility to see that Indian shipping secured adequate share of both coastal and overseas trades of India, and Sir Joseph Bhore, the then Commerce Member, admitted in 1933 that the Government of India themselves were responsible "for taking further steps for the development of Indian shipping in the coastal and overseas trade of India."

You realise, Sir, that the position of this country *vis-a-vis* foreign trade is not an enviable one looking to the fact that there is hardly any shipping of India's own, in that trade. It is a position which is undoubtedly taken up by all, whether Government or the public, that India should develop her trade, specially in these times, when some of our own markets are being lost. Even with regard to articles of necessity like rice, it was found recently that there was a great difficulty in getting it here from Burma leading to highly abnormal prices of this essential commodity and article of consumption for millions. Such a critical situation arose because India had practically no shipping and even of the ships she had, Government had requisitioned a large number. Both, therefore, the peace time economic needs of the country as well as her defence and other requirements during the critical times through which we have been passing at present make it imperative that India should have her own national shipping adequate enough to cope up with those situations and my Committee will be thankful to you if you will be pleased to tell them what definite steps the Government of India propose to take to secure that position for national shipping in India's coastal and overseas trade.

Summary of the replies given by the Honourable Sir A. Ramaswamy Mudaliar, Commerce Member, Government of India, on Tuesday, the 15th July 1941.

The Hon'ble Sir A. Ramaswami Mudaliar, Commerce Member to the Government of India, in replying thanked the President of the Chamber for the welcome he had given him and observed that such interviews afforded him an occasion when he could explain the position of Government with regard to several questions much better than could be done in correspondence.

With regard to the amendment of the Section of the Insurance Act relating to the investment of funds he had fully explained the position at a meeting he had with the insurance interests and hoped that the Committee would excuse him if he did not go into all the details at this meeting again. The old Insurance Act was based upon certain elementary considerations but the new Act made the law very comprehensive. If certain amendments were required, it was no reflection on the authors of the new Act. He felt that there was no necessity to change Section 27 at present and this he said after a good deal of consideration and conference with the insurance interests. He felt that perhaps a certain widening of the definition of approved securities might meet the case. Thus, for instance, investment in head office buildings might be brought in under that. He urged, however, that there should be no jealousies as between companies. Government were paying attention to all the contentions and suggestions brought forward, but for the present he saw no necessity for any radical alteration.

With regard to War Risk Insurance he reminded the Committee that it was at their suggestion that the original reduction from $\frac{1}{8}\%$ to $1/32\%$ was made. It was recently raised to $1/16\%$ on account of the conditions that prevailed then. No large fund was built up upto now. If, however, a fair amount of funds was secured Government would be prepared to reconsider the rate at the time of the next quarterly revision.

With regard to the suggestion of the Committee that declaratory policies should be allowed, he pointed out that this suggestion was made before, but it was not found feasible. He would now consider it again in the light of what the Committee had said. He also said that monthly policies were not administratively possible as scrutiny was difficult.

With regard to the suggestion of the Committee that Commission Agents who had an interest in the insurance of cotton or goods against which they had advanced money should be considered eligible for insuring their cotton or goods under the War Risk Insurance scheme, he promised to have the suggestion examined.

The Commerce Member said that he would consider the suggestion with regard to reduction of capital under Section 58 of the Indian Companies Act.

Regarding the remarks of the President about the Merchandise Marks Act, he emphasised that he agreed with the Committee provided that they agreed that even for goods manufactured in this country and intended for export, there should be the marking "Made in India".

With regard to goods made in foreign countries and imported into this country regarding which the suggestion of the Committee was that all such goods should have a definite mark with regard to the country of origin, he said that there was a difficulty in the way of execution and that the Customs authorities could not make out an exhaustive list of the goods which were to be exempted from marking. He would rather like to have a positive than a negative list.

Regarding the suggestion made by the Committee with reference to the assessment on invoice value or on market value he suggested to the Committee to discuss it with the Director-General of Commercial Intelligence and Statistics as the question fell within the purview of the Central Board of Revenue.

Coming to the Export Trade and the remarks of the President about the Meek-Gregory Mission, he would only

say that he had given his views on several occasions and would now like to rest satisfied with agreeing to differ.

Regarding the Trade Missions it was difficult to arrange such Missions owing to war conditions as it was not found possible to get suitable men to compose such Missions. He suggested to the Committee to let him know, after due consideration, whether commercial men of the right stamp would be willing to go on such Trade Missions. Government were going to appoint Indian Trade Commissioners for Canada and South America shortly. He further added that the Government of India were prepared to enter into a Treaty, with Australia if the commercial community suggested taking such a step. His own information was that even Australia was prepared to favourably consider such a suggestion.

Regarding licences for exports of oilseeds and the allocation of orders by the Ministry of Food of His Majesty's Government he was prepared to review the question and to address His Majesty's Government. He should think that if it was a question of export licences from India, quotas might be granted on the basis of share of previous exports for all countries.

Regarding the Reconstruction Committee, he explained the position fully. There were going to be four main Committees (1) Labour and Demobilisation, (2) Surplus Stocks, (3) Public Works and Government purchase policy. All these three Committees would be thus concerned with internal adjustment and planning. Government would surely fail in their duty if they again turned to imported articles when indigenous articles served the purpose during the war times. The fourth Committee would be concerned with matters of an international nature dealing with international trade, commerce, tariffs and international economic understanding. as also with anti-dumping. The position of members on all the groups would be the same, having the same rights as others. The fifth Committee would be a sort of steering Committee which would consist of senior officials from finance, supply, commerce, labour, railways and agricultural

information required by the former four Committees. These four Committees would make direct suggestions and recommendations to the Government of India.

With regard to dyes, the Commerce Member was prepared to consider if the general scheme could be sent to the Committee for their information.

Regarding cashewnuts, the Commerce Department did not realise that there was so much export of cashewnuts as against imports. They would now consider the whole case and see that the interests concerned did not suffer.

Regarding the last two questions about shipbuilding and shipping, the Hon'ble Member observed that he was in close touch with the company concerned. They had recently a fairly exhaustive statement from the Chairman of the company, Mr. Walchand Hirachand. His allegation was that the Government of India did not help the industry at all. The Hon'ble Member, however, assured the Committee that he had done everything which was humanly possible for a member of the Government of India to do. From his knowledge of facts he could repudiate the suggestion that the Government of India did not do anything. In fact, every Member of the Government of India supported him in what he was doing and was able to do for the shipbuilding and shipping industries. He felt that if he was able, after his term of membership of the Government of India was over, to satisfy his conscience that he had done his duty, he would consider it quite sufficient.

The meeting then dispersed.

APPENDIX 103

Questionnaire issued by the Fact-Finding Committee (Handloom and Mills).

Letter No. 1463, dated 27th June 1941, from Chamber to the Secretary, Fact-Finding Committee (Handloom and Mills), Camp.

The Committee of my Chamber having examined the Questionnaire issued by your Committee, desire to offer the following observations on the general issues raised in it.

My Committee do not think it advisable that a definite line of demarcation should be drawn between yarns used by handlooms and by mills. They are of opinion that such demarcation would convey the impression of an essential conflict of interests between the two branches of the industry which is not justified by the circumstances and which it is in the best interests of both to avoid. They think also that it would be administratively difficult to secure proper enforcement of any restriction regarding the kinds of yarn used by handlooms and by mills respectively. Disputes in cases on the border line will arise frequently and can only be settled by actual measurement of the precise counts of yarn used, which would be difficult to carry out in practice. Further, the indirect competition of higher counts of yarn than those on which restriction is imposed will render such arrangement inoperative for the purpose for which it is intended.

In the opinion of my Committee, the handloom industry possesses a considerable measure of inherent economic strength which explains its continued existence and its steady output in the face of growing competition from the mill industry. In the first place, it is a recognised fact that the advantages of large-scale mechanical production are generally in inverse ratio to the proportion between the cost of material and the cost above material. Since in cloth made of yarn of the lowest counts the cost above material is generally small in comparison with cloth of higher counts, the handloom industry is in a better position to compete with the mill industry in this line. Secondly, the handloom industry possesses a marked advantage as regards cloth made of the finest classes of yarn insofar as it is in cloth of this kind that special artistic designs are in general demand. Among other factors that operate to the advantage of the handloom industry may be mentioned nearness of local markets and the existence of marked local preferences for certain varieties of cloth.

At the same time, my Committee hold the view that, in view of the difficulties in respect of finance and organisation to which the handloom industry is subject, it is necessary

that assistance should be given to the industry to utilise fully such inherent economic advantages as it possesses. It is important from the social point of view that cottage industries should be helped to maintain their place in the economy of the country. The Committee are of opinion that assistance on the lines suggested in question No. 73 should be provided by Government action and made available to the handloom industry either through the Industries Departments of Provincial Governments or through Co-operative Societies of Weavers.

My Committee consider that there is a large potential market for artistic products manufactures by the handloom industry in foreign countries and would strongly urge that adequate measures should be taken with the assistance of Indian Trade Commissioners to expand this market. A permanent collection of typical handloom goods of artistic design should be maintained at the office of every Indian Trade Commissioner. In the experience of the Committee of my Chamber, one of the chief difficulties in the way of developing the export market for artistic goods of this kind is that when designs are forwarded to the Indian industry, these designs are not strictly adhered to when the work is executed and it frequently happens that the product is found on delivery to differ materially from the original design. Closer collaboration between Indian Trade Commissioners and Provincial Directors of Industries is essential for rectifying this position.

APPENDIX 104

Third Price Control Conference.

Letter No. 219-SR-Camp, dated 24th September 1941, from Commerce Department, Government of India, Simla, to Chamber.

I have the honour to inform you that in view of the recent tendency for prices of various commodities to rise sharply the Government of India have decided to convene a

conference of the representatives of the Provincial Governments and certain Indian States at New Delhi on the 16th of October 1941, to discuss the advisability of adopting measures of price control. In certain instances Provincial Governments have already taken action with regard to retail prices, but it is felt that in view of recent developments the problem of rising prices charged by manufacturers and wholesale dealers is now becoming the one which attracts most attention, particularly in respect of food-grains, cotton yarn and piecegoods. It is, therefore, expected that in addition to a general discussion of the entire price situation, questions relating to the prices of food-grains, cotton yarn and cloth will figure prominently in the deliberations of the Conference. I am to request that the Government of India may kindly be favoured by the 10th October 1941 at the latest with the views of your Chamber on the subject of the control of prices at the primary wholesale stage, generally and with special reference to the commodities mentioned.

Letter No. 2576, dated 11th October 1941, from Chamber to Commerce Department, Government of India, New Delhi.

I am directed by the Committee of the Indian Merchants' Chamber to refer to your letter No. 219-S.R., dated 24th September 1941, and to send to you hereby their views on the issues raised therein.

My Committee do not wish to enter, at this stage, into *a priori* discussion of the arguments for or against the institution of any system of official price control. Such theoretical and general aspects of the question have, in connection with the previous discussions of the subject, been by now stated in detail. They would, however, like to refer to the background against which the present proposals of Government are to be considered.

Immediately after the declaration of the war, as was to be expected, there was a general rise in prices. This led to talks about the need for protecting the consumer against any abnormal rise. The Government convened a Price Control Conference in October 1939, when certain general conclusions

were arrived at. It was considered undesirable by the Conference to control any tendency for agricultural products to rise, because, it was pointed out, that agricultural products had not yet recovered from the effects of the slump and that the pre-war prices were not really fair prices.

Government, at the same time, took certain steps to control, what they considered to be, any unreasonable rise in prices in respect of articles essential to the life of the community. The control was to be exercised in regard to medical supplies, foodstuffs, salt, kerosene oil and the cheaper qualities of cotton cloth ; and the Central Government delegated the powers conferred on them under Rule 81 of the Defence of India Rules for exercising such control to the Provincial Governments. Thus, a scheme of limited control, insofar as necessaries of life were concerned, came to be exercised in almost all parts of the country by the Provincial Governments or the Local Authorities concerned.

In January 1940, another Price Control Conference was held and among the recommendations made at that Conference were the co-ordination of wholesale and retail prices and the unification of price controlling administration within a Province by a single co-ordinating authority at the headquarters of the Province. At that Conference also, it was largely recognised that agricultural commodities, which had suffered a heavy decline during the previous years, needed considerable recovery in prices before the question of any control could be seriously considered. In short, Government themselves did not feel the need for the enforcement of a strict or rigorous scheme of price control than what was in force for purposes of articles of daily use as explained above.

Later on, however, due to certain factors connected with war developments, instead of there being any need to check the prices, there was, on the other hand, experienced a slump in prices, particularly in respect of agricultural commodities. The constriction in our export markets, following the reverses in the Continent, gave rise to the problem of the disposal of our surplus stocks, and prices, instead of having to be checked, had to be supported against a continued tendency to sag. It

cannot be said that even now there has been anything like a recovery to the extent, which would justify the expectation of boom conditions or necessitate any official control or check. My Committee would here like to particularly emphasise that Government should not come to any hasty decisions by the stress of any immediate developments, but should be guided by the experience of the movement of prices during the last two years of the war as a whole, and particularly bear in mind, in considering this question, the problem which presented itself immediately after the collapse of France. The situation at present obtaining in regard to cotton emphasises the need for a long-range view.

Coming to the particular issues of the price situation in respect of food-grains, cotton yarn and cloth, which is expected to figure prominently in the deliberations of the Conference, my Committee would like to point out that there is a great inter-relation between prices of food-grains, so-called, and the other cash crops on which the economy of the country is mainly dependent. It will be acknowledged that the prices of our staple commodities are still in need of considerable recovery and that insofar as the export products are concerned any question of control would be suicidal.

As regards manufactured goods, particularly cotton yarn and cloth, it is significant to remember that every increase in raw material prices adds to the cost of production. My Committee venture to submit that a good part of the recent rise in the prices of cotton textile goods has been due to genuine economic factors. Prices of machinery, tools and stores, dyeing and bleaching materials, chemicals, and a variety of other items used by the textile industry have gone up, in some cases substantially. There have also been successive increases in wages paid to the workers, expenses on account of management have increased and tax burdens are heavier. All these factors have to be taken into consideration before any comparison of the prices prevailing for such goods at present with those obtaining in normal times is made ; due allowance also being made to the play of the laws of demand and supply in the market.

My Committee would also like to point out that most of the complaints that may be heard from time to time about high prices may not have any relation to the wholesale prices or the wholesale markets, but may refer simply to what may be happening in some corner of the country in the retail market without any relation to the market as a whole at a given time. The powers at present enjoyed by the Provincial Governments are sufficient to tackle any such abnormal developments in a local area, and my Committee are emphatically of the opinion that the occasion has not arisen for Government to institute any system of control at the primary wholesale stage or to put into operation any scheme of elaborate control of prices. They feel that the limited control, at present being exercised by the Provincial Governments in regard to daily necessities, is all that is required to safeguard the interests of the community as a whole, and that Government should not, in the name of price control, deny, firstly, to the Indian agriculturist any opportunity of realising a fair price for the fruits of his toil, and, secondly, to the Indian manufacturer fairer conditions of trade justified by the better demand for his wares due to factors inherent in the development of the economic situation. It cannot be said that the demand for manufactured goods, particularly cotton yarn and cloth, has vastly outrun the existing supply, or the potential capacity of the industry. Production can be keyed up by allowing the industry to work increased shifts or longer hours. If thus a concerted effort is made to increase supply, the natural forces working in a market, in which competition is free and in which it cannot be said that monopolistic conditions have been created, may be expected to bring about a fair adjustment of the price situation, and there is no need for any elaborate scheme of official control.

In conclusion, my Committee would like to add that in the views that they have expressed herein, they do not suggest that the interests of the consumer or the community have to be overlooked. They are only stressing the need for recognising the distinction between profiteering as such and legitimate profit-earning, so that in the name of preventing

profiteering, the normal economic advantages either to trade or industry of a fair demand for their products should not be denied.

Letter No. 258-SR-Camp, dated 4th October 1941, from Commerce Department, Government of India, to Chamber.

With reference to your letter No. 2441, dated the 26th September 1941, I have the honour to inform you that the above Conference is being convened with the representatives of Provincial Governments and certain Indian States only. It is, therefore, regretted that your request for the inclusion of a representative at the said Conference cannot be acceded to. The Government of India are, however, anxious to have at their disposal the views of the business community on the price situation in India and in pursuance of this policy certain Chambers and Associations have been requested to furnish their views. Your Association has also been addressed and I hope you will furnish your views at an early date.

APPENDIX 105

13th Industries Conference — Handloom Weaving Industry.

Letter No. 2261, dated 11th September, 1941, from Chamber to Commerce Department, Government of India, New Delhi.

With reference to your letter, dated 11th August 1941, No. 141-Ind.(15)/41, to the Federation of Indian Chambers of Commerce and Industry regarding the 13th Industries Conference, the attention of the Committee of this Chamber has been drawn to the first item on the draft agenda, viz., handloom weaving industry. My Committee beg to draw the attention of Government to the fact that the Fact-Finding Committee has not, so far as they know, submitted its report to Government. You will agree that even after such a report is submitted, it should be sent round to all the Chambers and commercial Associations in the country for their opinion, before Government themselves come to any decisions upon

the subject-matter of that report. Under the circumstances, my Committee beg to suggest that consideration of the first item, viz., handloom weaving industry should be postponed for the present.

Copy of letter No. 141-Ind.(15)/41, dated the 11th August 1941, addressed by R. J. Pringle, Esq., I.C.S., Under-Secretary to the Government of India, Commerce Department, New Delhi, to the Federation of Indian Chambers of Commerce and Industry, New Delhi, regarding the Thirteenth Industries Conference.

"I am directed to say that the Central Government propose to convene the Thirteenth Industries Conference during the course of the coming cold weather. The question of the date and venue of the Conference is still under consideration; but with a view to placing the agenda and connected memoranda in the hands of delegates sufficiently in advance of the opening of the Conference, they have decided to take up the question of the agenda of the Conference forthwith.

2. I am, therefore, to enclose herewith for your information a Provisional List of Agenda containing the items which the Central Government have so far decided to place before the Conference. Any further subjects which the Central Government may decide to include in the agenda hereafter will be communicated to your Federation in due course.

3. In addition to the subjects mentioned in the Provisional Agenda, the Central Government would be prepared, so far as time permits, to place before the Conference such other matters of importance as your Federation or the representative to be nominated by it may desire to bring forward. If your Federation or its representative have any such matters to suggest, I am to ask that concise memoranda thereon (in duplicate) may kindly be forwarded to this Department as soon as possible but not later than the 1st October 1941. This will enable copies of the memoranda to be circulated in print to the members of the Conference."

Enclosure

THIRTEENTH INDUSTRIES CONFERENCE

Provisional Agenda

I. Handloom weaving industry.

(*i*) Progress of the schemes of the handloom industry in the various provinces and the allotments for 1942-43, if it is decided to extend the grants-in-aid.

(*ii*) Consideration of the Report of the Fact-Finding Committee, if ready.

II. Minutes of the seventh meeting of the Imperial Sericultural Committee.

III. Minutes of the sixth meeting of the Woollen Industry Committee.

IV. Matters arising out of the Proceedings of the meetings of the Board of Scientific and Industrial Research.

V. Establishment of a permanent Industrial Museum at the Imperial Capital (Provisional).

VI. Action taken on the recommendations of the Twelfth Industries Conference.

APPENDIX 106

Curtailment of Area under Short Staple Cotton.

Letter No. 7760-A/33, dated 2nd May 1941, from Revenue Department, Government of Bombay, to Chamber.

I am directed to forward a copy of a letter from the Secretary, Indian Central Cotton Committee, No. 4208, dated 4th April 1941 and of its accompaniment, and to request you to favour Government with the views of your Chamber on the suggestion made by the Indian Central Cotton Committee regarding the possibility of curtailing the area under short staple cotton.

Copy of letter from the Secretary, Indian Central Cotton Committee, Bombay, No. 4208, dated the 4th April 1941.

Curtailment of Area under Cotton.

I have the honour to say that the position of Indian cotton was examined by my Committee in the light of the present unsettled conditions of the world at its meeting held in January last and after a lengthy discussion the attached resolution was passed.

During the discussion at the meeting, the view was expressed that while the adoption of the measures suggested in the resolution would help to increase the consumption of Indian cotton in India, a solution for the problem of the disposal of the surplus short staple cotton resulting from the loss of markets in Europe would still have to be found. The extent of this loss is estimated at 859,000 bales on the basis of the average annual exports of Indian cotton (mainly Bengals, Oomras, Dholleras and Comillas) during the three seasons ending 31st August 1939. The surplus of short staple is not likely to be reduced materially by increased activity in the Indian mill industry, and should the situation in the Far East develop unfavourably, the plight of the grower of short staple cotton would be considerably aggravated, as, despite reduced takings in recent years, Japan still remains the largest single buyer of such cotton.

In the opinion of my Committee, one way of meeting the situation would be by reducing the area under short staple cotton. In this connection it may be mentioned that about two years ago, when prices of cotton had fallen considerably, the question of reducing the area under cotton in India was examined by my Committee but it was then agreed, after consulting Provincial Governments, that curtailment of area was not a feasible proposition owing to the difficulty of suggesting an alternative cash crop to the cultivator. In view of the importance of the matter, however, my Committee feels, that the matter should be re-examined in the light of the existing situation, for it might be found that the difficulties are not so great as had been anticipated.

I am accordingly to suggest, if there is no objection, that the possibility of curtailing the area under short staple cotton may kindly be re-examined in the light of the present situation, in consultation with the agricultural and commercial interests concerned and the views of the Provincial Government communicated to me in due course for the consideration of my Committee.

Letter No. 1349, dated 13th June 1941, from Chamber to Revenue Department, Government of Bombay.

I am directed to refer to your letter No. 7760-A/33, dated 2nd May 1941, on the above subject and to send to you hereby the views of my Committee on the points raised therein.

In the third para of the letter from the Indian Central Cotton Committee, dated 4th April 1941, it is mentioned that the question of reduction of the area under short-staple cotton was considered about two years ago and that after consulting Provincial Governments, it was agreed that curtailment of area was not a feasible proposition owing to the difficulty of suggesting an alternative cash crop to the cultivator. My Committee would like to have information if any further investigations regarding the feasibility of the suggestion with particular reference to the question of the substitution of an alternative crop had been made.

In connection with the question of the disposal of the surplus production of commodities in general, the Government of India had last year invited the views of my Committee on certain suggestions. One such suggestion was that the problem might perhaps be solved by curtailing the acreage of production by allowing some portion of the land to lie fallow or by turning from one kind of cultivation to another and finding alternative crops which might be consumed internally. In a memorandum submitted to the Government of India then, my Committee had expressed the opinion that generally "acreage in regard to crop will not bear curtailment as any such step will require as a substitute a valuable cash crop as without it the agriculturists will not be able either

to recoup their expenses or to pay Government revenues". The above views apply equally to the present enquiry regarding the possibility of curtailing the area under short-staple cotton. I am enclosing herewith a copy of the communication to the Government of India referred to above.

My Committee are informed that recently arrangements were made to distribute better type of seeds in Khandesh and C. P. and that the result of this experiment has proved to be satisfactory. It is suggested that similarly steps may be taken to distribute better type of seeds in the areas now under short-staple cotton in the other parts of the Presidency so as to result in the cultivation of a better variety of crop.

My Committee understand that as the better type of seeds are costlier the agriculturists are finding it difficult to obtain the necessary credit for purchasing such seeds. This point may be enquired into and if adequate credit facilities are not available for the agriculturists, steps may be taken to provide the same so that the movement for encouraging the use of better type of seeds may be facilitated.

APPENDIX 107

Standardisation of Industrial Products.

Letter No. 141-Ind.(10)/40, dated 12th May 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

I am directed to enclose a copy of each of the following papers on the subject noted above :—

1. Memorandum of the Government of Bombay placed before the last Industries Conference held in December 1940,
2. Discussion on the Memorandum, and
3. Conclusion reached.

It will be observed from the conclusion that the Industries Conference considered that the examination of the question

of standardisation was most desirable and that it could only be done in closest consultation with the industries concerned. I am accordingly to address the Federation/Chamber/Association, etc., for their suggestions and observations on the question and the ways and means of bringing about some kind of standardisation of products. I am to observe that the Government of India trust that the industries concerned will try to see whether they can organise themselves so that they may be able to speak as one unit for each of the industries concerned.

2. I am to add that the Departments concerned of the Government of India are alive to the desirability and advantages of standardisation and use British Standards to a great extent. An early reply will be appreciated.

I. Industrial Standardisation

MEMORANDUM

Bombay

It is to the advantage both of manufacturers and consumers to have a system of "standardization of industrial products" using that term not only in its strict sense but also in the wider sense of what is commonly known as "Simplification", that is, the elimination of unnecessary varieties of patterns and types of articles. The Imperial Conference (1926) adopted the following resolution on this subject :—

> "The Imperial Conference, recognising the advantages of standardisation in its widest sense both to producers and to consumers, and appreciating that when it is practicable to adopt standards common to the Empire these advantages are augmented and great benefit results to trade within the Empire and Empire trade generally, recommends to the favourable consideration of the several Governments of the Empire that they should take steps to promote the further development of standardisation, should arrange for the exchange of information with the other parts of the Empire, and, when common standards are possible and mutually advantageous, should co-operate with the other parts of the Empire in regard thereto."

The Imperial Conference of 1930 also commended the development of standardisation within the various parts of the British Commonwealth of Nations. This Conference also recommended the adoption of marks or brands by the various standardising bodies and urged that in each part of the Commonwealth, Government should accord their support to standardisation by way of financial assistance, of the co-operation of the purchasing departments and otherwise. It also recommended that the scope of the work of the standardising bodies should include both standard specifications for industrial materials and apparatus, and codes or rules. This Conference drew attention to the suggestion that a specific Department of each Government within the Commonwealth should be charged with the duty of watching and stimulating the movement towards standardisation and simplification and expressed the view that there is considerable scope for activity, in the interests of consumers and manufacturers alike, by such Government Departments.

The Imperial Conference at Ottawa (1932) reiterated the need for the co-ordination of standardization under a central body in each country to which support should be given by the Government. This Conference recommended that with a view to assist the co-ordination of the work of national standardization the following principles, as far as practicable, be observed :

(*a*) That the specifications should be in accordance with the needs of industry and fulfil a generally recognized want ;

(*b*) That the community interest of producer and consumer should be maintained throughout ;

(*c*) That the specifications should be arrived at by general consent ;

(*d*) That periodical review and revision should be undertaken to prevent crystallization and keep the specifications abreast of progress.

British Standards Institution is a national standardising organisation which issues the British Standard Specifications.

This is an independent body and its work is divided into 4 main divisions, viz., engineering, chemical, building and textile. The Institution's funds are principally derived from industry, but His Majesty's Government makes an annual grant of about £3,000 to £7,000 p. a. The Government of India are also making an annual grant of £500 to this Institution.

In India today there is no corresponding standardisation institution. It is true, that the Indian Stores Department of the Government of India issues certain specifications; but these only cover those articles which are purchased by it. The work of the Indian Stores Department in this direction is of a very limited scope.

As has already been pointed out above, great advantage will accrue to the consumers in general as well as to the manufacturers by setting up a separate central institution for the standardization of industrial products. It is, therefore, strongly urged that a separate organisation for the purpose be set up by the Government of India as soon as practicable.

II. Discussion

Monday, December 16th, 1940.

Mr. Knight (Bombay) said that he did not propose to add to the Memorandum already circulated by the Government of Bombay. Standardisation was a matter for the whole of India and should be taken up on an organized basis by the Government of India, rather than by the make-shift and piecemeal efforts of Provincial Governments. The British Standards Institution sought to safeguard purchasers by giving them standard articles at reasonable prices and to safeguard manufacturers by eliminating unfair competition. He said that standardisation was particularly necessary in connection with the manufacture of war supplies.

Lala Padampat Singhania said that industrial standardisation could only be made in the country from which goods were exported. He could not agree to any kind of standard-

isation in India at the present juncture, but thought that the matter should come up in a more specific form before the Conference.

Mr. Chandavarkar (The Millowners' Association, Bombay) said that the Bombay Millowners' Association welcomed the motive underlying the proposal but thought that the first move should come from the trade itself. He thought this was what had been done in England and that it had not been necessary to pass legislation on this subject there. Some Articles were amenable to standardisation and others less so. The Indian Stores Department had helped in standardising drills, sheeting and other articles. He thought it would be very difficult to standardise fancy cloth. He, therefore, suggested that the Conference should proceed cautiously in this matter.

Mr. Ghulam Mahmmad (Controller-General of Purchase) said that standardisation was as important for the producer as for a large purchaser like Government. The Government Test House had been doing good work in this direction, as for instance, in regard to paints. The Indian Stores Department had also been trying to bring about an improvement. The war had altered the problem, because of the size of the demands and the speed with which delivery was required. It was no longer merely an Indian problem, but it had become a problem for the whole Eastern Group of Empire countries. In some cases, (for instance, ammunition) standards are laid down by His Majesty's Government. In war conditions, standards had to be more frequently adjusted so as to get the maximum quantity of stores in the shortest time.

The Honourable Sir Muhammad Saadulla (Assam) drew attention to the fact that the question had been raised at the last Industries Conference where it had been stated on behalf of the Government of India that any move for standardisation should be initiated by the Provinces.

The Chairman informed him that no Provincial Government had since raised the question.

The Chairman sought at this stage to clarify the issue. He said that all parties agreed on the general desirability of

standardisation. But the more immediate question was whether a committee should be set up or whether it should be left to the Supply Department to make standard specifications in connection with war requirements. The report of Dr. Gregory and Sir David Meek on the results of their visit to America would shortly be available. Therein it would be found that standardisation would be of great value to some of India's customers abroad. Legislation had already been undertaken to introduce standardisation in connection with raw products. But when it came to manufactured goods, the problem became more difficult and it was certain that no legislation could be passed without the assistance of the industry concerned. The question, therefore, was whether this was an opportune moment for taking action. There was a possibility that any committee set up would trench on other war activities.

Mr. Advani (Bombay) said that his Government were not thinking of legislation or compulsion. Some standardisation was already being carried out. The Bombay Government simply wanted a central organisation to be set up incorporating the present standardising bodies and collecting all the threads of standardisation already in existence. No investigation would be required and there was no question of impeding the war effort. He could not see any reason for delay. The proposed body would study the standards already in use, would work out further standards where necessary and try to get them adopted.

Dr. Gregory said that he considered there were two kinds of standardisation—technical and commercial. Technical standardisation was concerned with seeing, for instance, that screws were of one size and that parts of machines were interchangeable. As regards commercial standardisation, it was a question of seeing that particular markets obtained the particular goods which they require ; for example, the Americans did not necessarily want standard patterns in cloth ; but they were interested in seeing that they did not have to reject a large amount of the cloth which they had ordered

because when they saw it they found that it was not what they had intended to order.

The Honourable Sir Alan Lloyd said that what was wanted was specification.

Mr. Ghulam Mohammad (Controller-General of Purchase) said that technical standardisation was already being undertaken in connection with defence requirements and the institution of any separate body for this purpose would only be a hindrance. Commercial standardisation was more important for general commercial purposes, so that producers and consumers could speak the same language.

The Hon'ble Sir Chhotu Ram (Punjab) thought that this was an inopportune moment to take any action.

The Hon'ble Sir Muhammad Saadulla (Assam) thought that standardisation at the present time would not be hindrance to the war effort, and might be a help to it.

Dr. Panna Lall (United Provinces) thought that perhaps the present moment was inopportune for definite action ; but he suggested that the Government of India might collect information regarding the difficulties felt at present, with a view to setting up an organisation at the end of the war.

The Chairman said that the British Standards Institution concerned itself with four subjects. With regard to textiles, Mr. Advani had already said that standardisation would be difficult ; with regard to building it was impossible to standardise buildings, but possibly the materials might be standardised ; with regard to chemicals, standardisation was essential and for this reason it would be superfluous to take any action in the matter ; with regard to engineering, standardisation would be difficult at present in India, where this trade was not very highly developed and further standardisation in engineering at the moment might impede the war effort.

Conclusion

This Conference considers it most desirable that the question of standardisation may be examined and is of the

opinion that this can only be done in the closest consultation with the Export Advisory Council which may be able to give valuable help with respect to export markets, etc. It recommends that such investgation as may be necessitated may be taken up by the Government of India.

Letter No. 1459, dated 27th June 1941, from Chamber to Commerce Department, Government of India, Simla.

The Committee of this Chamber have considered your communication No. 141-Ind.(10)/40, dated the 12th May 1941 and have directed me to reply to you hereby as follows :—

The Committee realise and appreciate that it would be desirable in principle to secure the standardisation of industrial products, wherever possible, but they feel that the present time is not opportune for undertaking any steps in that direction and that, therefore, the consideration of the question should be postponed till after the restoration of more normal conditions.

Under the circumstances, my Committee presume that no steps will be taken at present to bring about standardisation as proposed. At the same time, they are of opinion that whenever any such steps are taken at a suitable time to bring about standardisation, such efforts should be on a voluntary basis. It should be left to the manufacturers and merchants to introduce standardisation of different articles with which they are concerned and there should not be any legislation or compulsion to bring this about.

APPENDIX 108

Representative of Indian Shipping on the Export Advisory Council.

Letter No. 173, dated 23rd January 1941, from Chamber to Commerce Department, Government of India, New Delhi.

I am directed by the Committee of this Chamber to address Government on the question of the desirability of

including a representative of national shipping interests on the Export Advisory Council as a member. The Council has been set up to act as a channel of communication between Government and trade interests with a view to facilitate the discussion of the difficulties arising out of the war time restrictions on export from the country and secondly to devise ways and means of expanding exports of our staple commodities and also products of our manufacturing industries. In the consideration of both the above aspects of the problem matters connected with shipping have an important bearing. It has been acknowledged that lack of shipping tonnage is one of the difficulties facing the export trade of the country. There are also questions like requisition for Government purposes of shipping, basis of allocation of the available tonnage, etc., which affect very intimately considerations of matters connected with our export trade. It is, therefore, felt that the presence of a representative of national shipping interests on the Council on occasions when such matters connected with shipping have to be discussed will be of great advantage and will enable the members of the Council to consider the issues that may arise in the light of such views or suggestions that may be placed by such a representative.

My Committee request that Government will be pleased to consider the above suggestion and to appoint a representative of Indian shipping interests on the Council.

Letter No. 81-C(1)/40, dated 3rd April 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 173, dated the 23rd January 1941, suggesting the inclusion of a representative of Indian shipping interests on the Export Advisory Council, I am directed to invite the attention of your Chamber to the remarks on this point at page 8 of the Proceedings of the 3rd meeting of the Export Advisory Council and also against items Nos. 17 and 20 at page 26 therein. I am to add that a copy of the Proceedings referred to has already been supplied to your Chamber.

Letter No. 891, dated 15th April 1940, from Chamber to Commerce Department, Government of India, New Delhi.

I am directed to acknowledge the receipt of your letter No. 81-C(1)/40, dated 3rd April 1941.

My Committee have seen the remarks on this point at page 8 of the Proceedings of the Third Meeting of the Export Advisory Council, as also items Nos. 17 and 20 at page 26 therein. They are, however, of opinion that their suggestion regarding the necessity of having a representative of Indian shipping companies on the Export Advisory Council has not been met by these remarks. My Committee did not want merely the Indian Shipping Adviser or some one having knowledge of shipping at Port Committees or at meetings of the Export Advisory Council. What my Committee want is that a representative of the Indian shipping companies should be nominated as a full-fledged member of the Export Advisory Council, just as it has got such representatives of the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce, etc. It has been found from experience that the Export Advisory Council discusses questions, on not a few occasions, of great interest to the shipping companies and it is unfair that shipping alone should not be represented at all such discussions.

I am directed, therefore, again to bring this question to the notice of the Government of India and to request them to be good enough to arrange for a representative of Indian shipping companies being appointed on the Export Advisory Council.

APPENDIX 109

Indian Government Trade Commissioner in U. S. A.

Letter No. 57, dated 11th January 1941, from Chamber to Commerce Department, Government of India, New Delhi.

The Indian Chamber of Commerce of America have sent for the information of my Committee a copy of a resolution passed at the General Meeting of that Chamber held on 19th

September 1940. This resolution, they are advised, has been communicated to the Government of India.

My Committee are in general agreement with the sentiments expressed therein, and hope and trust that when the term of office of the present incumbent expires, Government will appoint only a qualified Indian to succeed to the post. As a matter of fact, my Committee have always urged on the Government of India the desirability of confining such appointments to Indians only.

APPENDIX 110

Import of Manufactured and Raw Products into Cutch State.

Letter No. 1403, dated 19th June 1941, from Chamber to Commerce Department, Government of India, Simla.

The attention of the Committee of this Chamber has been drawn to the anomaly which exists, in the opinion of some of our members, in the Customs procedure relating to Cutch. The anomaly is that whenever any duty paid goods are exported to any country outside British India, a drawback of 7/8th of the duty is allowed on such export. But no such drawback is allowed in the case of any exports to Cutch. My Committee are informed that probably Cutch is the only country in the world which is being treated like this by the Customs authorities here. Facilities which are accorded to the Portuguese and French India are denied to Cutch, according to the information supplied to my Committee. I have to request you to be pleased to let me know if the information conveyed to my Committee is correct and if so, what are the reasons for it.

APPENDIX 111

Canteen Contractors' Syndicate.

Letter No. 1712, dated 21st July 1941, from Chamber to Defence Department, Government of India, Simla.

The attention of my Committee has been drawn to the fact that at an Extraordinary General Meeting of the Canteen

Contractors' Syndicate held on 4th February 1941, the Memorandum of Association of the Syndicate was amended so as to do away with the restriction which was in force previously preventing the Syndicate from transacting business with parties other than Military canteen and Military supply centres. After the amendment the Syndicate is empowered to carry on business as general merchants, importers, exporters, etc., and to supply goods or provisions to any person or association of persons and any public authority with the previous consent of the Quarter Master General in India. This freedom to trade with the public, it is further understood, is to be limited for the duration of the war.

I am desired by my Committee to point out for your consideration that if the Syndicate is allowed to transact business with the public in the manner indicated by the scope of the amendment to the Memorandum and Articles of Association, it would greatly prejudice the interests of private merchants and suppliers in the trade. The Syndicate is an organisation formed with the specific object of catering to the requirements of the canteens and other supply centres connected with the Defence Services and as such, is afforded privileges and facilities of a nature generally of a concessional character and which, at any rate, are not available to private suppliers and merchants. With such advantage, naturally, if the Syndicate is allowed to trade freely with the public, the competition it can offer to other private enterprise will be of an unequal character, with the result that the latter will be very much handicapped in their trade activities. My Committee, therefore, suggest that the Defence Department should not give to the Syndicate freedom to enter the field of private trade as contemplated in the resolution amending the Memorandum of Association. As the right in question is to be exercised with the previous approval of the Quarter Master General, it is quite within the sphere of authority of the Department to withhold such consent and to see that no harm is done to private enterprises by the Syndicate being allowed to commence activities in open competition with them.

While on this, my Committee would also like to suggest that the present procedure for the purchase of stores and supplies by the Syndicate should be modified and a system of open tenders similar to the one in force for the supply of stores through the Indian Stores Department, should be introduced. The present procedure of getting supplies from a selected few without the issue of public tenders is not conducive to securing supplies at the cheapest markets or at the cheapest rates; nor does it give equal opportunities to all suppliers. My Committee request that you will be kind enough to examine the suggestion and to introduce the system of open tender for the purchase of the requirements of the Syndicate.

Letter No. 62056/Q-3(b), dated 11th August 1941, from Defence Department, Government of India, Simla, to Chamber.

I am directed to acknowledge receipt of your letter No. 1712, dated the 21st July 1941, on the above subject, and to say that the matter is receiving attention and that a further communication will be sent to you as early as possible.

Letter No. 62056/Q-3, dated 26th September 1941, from Defence Department, Government of India, Simla, to Chamber.

In continuation of this Department letter No. 62056/Q-3(*b*), dated the 11th August 1941, on the above subject, I am directed to say that the Syndicate has assured Government that it is not their desire or intention to extend their activities amongst the general public.

With regard to the Syndicate's system of purchasing, I am to point out that the Syndicate is incorporated under the Indian Companies Act and, as such, the Government of India have no jurisdiction over its purchasing policy which is dictated by the Syndicate's Board of Directors.

APPENDIX 112

Government Monopoly for Cocoanut Oil Crushing Industry.

Letter No. 2350, dated 17th September 1941, from Chamber to Department of Education, Health and Lands, Government of India, Simla.

The Committee of this Chamber have received a letter from the Indian National Association, Zanzibar, a copy of which is sent to you for the information of Government. My Committee will be obliged if you will be pleased to inform them as to what is the situation at present with regard to this cocoanut oil industry of Zanzibar and the near places and whether the statements made in the letter of the Association are based upon facts. My Committee hope that if these statements are facts, the Government of India will be pleased to exert their best to see that trade interests of Indian business do not suffer.

Letter No. 77/41-O.S., dated 15th October 1941, from Department of Education, Health and Lands, Government of India, New Delhi, to Chamber.

I am directed to acknowledge the receipt of your letter No. 2350, dated the 17th/18th September 1941, and to say that the matter is receiving attention.

Letter No. 77/41-O.S., dated 20th November 1941, from Department of Education, Health and Lands, Government of India, New Delhi, to Chamber.

In continuation of this Department letter, dated the 15th October 1941, I am directed to say that the Government of India understand that, though the possible advantage of the exports of oils in lieu of copra was tentatively examined earlier in the year, the matter is not being actively pursued by the Government of Zanzibar at the present time.

APPENDIX 113

Indian Stores Department — Tenders and Manufacturers' Invoices.

Letter No. 2880, dated 17th November 1941, from Chamber to Controller of Stores, Indian Stores Department, New Delhi.

The attention of my Committee has been drawn to the introduction of late in some of the tenders issued by the Department of a new condition requiring the production of manufacturers' invoices in order to enable the Department to ascertain whether the rates accepted were reasonable or not. It appears that this additional condition is impressed by a rubber stamp on the printed tender forms. In the opinion of my Committee the practice in question is one which is open to serious objection from the point of view of the commercial community. It is a limitation on the finality of contracts entered into between the Department and the tenderer. After all, the Department has a definite idea of the price at which the tenderer is prepared to supply the articles concerned and when the tender is accepted, the acceptance is on the basis of the price quoted. There is, therefore, no justification for going behind the rate so settled either on grounds of reasonableness of the price or on the plea of regulation of wartime business practice. The insertion of a clause and subsequent insistence for the production of manufacturers' invoices or documents cuts at the root of the basis of mutuality on which the terms and rates of such tenders are settled and amounts in effect to the Department requisitioning the supply of the goods in question at such rates as Government may decide.

The new practice is also not in keeping with the spirit of the tender system. Moreover, serious objection has to be taken to the requirement as it amounts to divulgence of business secrets. In the ordinary course, the tender system by itself ensures the supply to the purchasing authority of the required stores at the cheapest or the most reasonable price and there is no warrant for a further limitation on the rates

payable to the supplier in the manner contemplated by the new condition in question.

My Committee, therefore, request that you will be good enough to pass orders that such a condition should not be incorporated in the tender forms and that the price mutually settled on the basis of the tender should be allowed to prevail without any further reservation.

Letter No. CAO/1B/11(2), dated 21st January 1942, from Department of Supply (Purchase Branch), New Delhi, to Chamber.

With reference to your letter No. 2880, dated the 17th November 1941, addressed to the Chief Controller of Stores, Indian Stores Department, New Delhi, on the subject mentioned above, I have the honour to state that the observations made therein are fully appreciated.

2. Without prejudice to the powers vesting in the Central Government by virtue of the Defence of India Rules, I may state for the information of your Chamber that the condition requiring the production of manufacturers' invoices with a view to determining the reasonableness of the rates accepted is intended normally to apply only in respect of Contracts negotiated on a basis other than that of Competitive tenders.

3. Steps have been taken to ensure the due observance of this procedure by the Purchase Branch of the Supply Department.

APPENDIX 114

Bank Holidays as *dies non* at Port Trust Docks

Letter No. 2348, dated 17th September 1941, from Chamber to the Manager, Bombay Port Trust.

It has been brought to the notice of my Committee that Bank Holidays on which the Customs House remains open even for half a day and which are considered as sectional

holidays are to be treated as working days for the purposes of the Port Trust charges. This will be extremely inconvenient to the business community, and specially to the Customs Dalals. If the days are Bank Holidays, although the Customs House may remain open on those days, banks and practically all the mercantile firms and shops remain closed. This makes it impossible to take deliveries of the goods from the Docks and deliver them to the respective firms on those days. My Committee, therefore, beg to request that you will kindly reconsider your decision and consider all such days as free days.

APPENDIX 115

Customs House Badges

Letter No. 44, dated 10th January 1941, from Chamber to the Collector of Customs, Bombay.

My Committee had in the year 1938, *vide* their letter No. 2934 of the 21st October 1938, suggested to you the desirability of introducing a system of badges for clerks of mercantile firms who get their clearing and forwarding work done privately. It appears that a system of badges for Clearing Agents and Dalals has been recently introduced by you. In this connection, my Committee reiterate that early steps be taken to provide clerks of mercantile firms also with badges. In order, however, to distinguish such clerks from Dalals and Clearing Agents, it would be better to have a distinct type of badge for the former. My Committee hope that you will be pleased to consider the above suggestion favourably and to introduce the system at an early date.

Letter No. C. No. 2336/40, dated 28th January 1941, from the Collector of Customs, Bombay, to Chamber.

I have the honour to refer to your letter No. 44 of 10th instant and to state that if the scheme of badges, for Clearing Agents and Dalals and their clerks, proves a success, the question of extending it to clerks of mercantile firms will be considered.

APPENDIX 116

Chromate Stocks in India—Government Control.

Letter No. 1404, dated 19th June 1941, from Chamber to Supply Department, Government of India, Simla.

The attention of the Committee of this Chamber has been drawn to a Government Notification under which all the holders of stocks of Sodium Bichromate, Potassium Bichromate and Chrome Alum (Chrome Compounds) have been called upon not to use, sell, exchange, move or otherwise dispose of their stocks and are asked to submit to the Director of Chemicals, Department of Supply, Government of India, New Delhi, by June 10th, a statement of stocks in their possession or in the course of delivery or order. Several chemical firms have got large stocks of these chemicals purchased at very high prices ruling in the market. All their stocks will now naturally be blocked up and they will have to incur charges on account of godown rents, insurance and interest, etc. My Committee understand that Government may want to take over some of these stocks for their own purpose. If so, they will request Government to be pleased to expedite matters and take delivery of the same as soon as possible so that these merchants may be able to do business in other lines. Responsibilities of all kinds are upon the merchants so long as the final delivery of their stocks is not made by them. It is because of this that my Committee request Government to be pleased to take decisions as soon as possible and release urgently such stocks as are not required by Government.

These Chromates, moreover, are in great demand by the different indigenous industries and even in the interests of these industries, Government will be pleased to allow the stocks to be sold to these industries if they do not want to take them over themselves. As it is, both the trade and industries are hard hit and whatever Government can do to relieve them of the difficulties will be greatly appreciated.

Letter No. CH-2(25), dated 27th June 1941, from Supply Department, Government of India, New Delhi, to Chamber.

I am directed to refer to your letter No. 1404, dated the 19th June 1941, and to say that the object of the Notification was to ascertain the stocks available in the country to admit of the transfer of such portions of them as are not required for immediate use to meet shortage of stocks with mills engaged on urgent war orders. The returns submitted in pursuance of the Notification have already been dealt with and such of the stocks as are not required for transfer have been released. I may add that a general notification will issue shortly.

APPENDIX 117

Indian Trade Missions Abroad.

Letter No. 2206, dated 8th September 1941, from Chamber to Commerce Department, Government of India, Simla.

Sometime back when the Hon'ble the Member for Commerce visited the Committee of this Chamber the question was discussed with him of sending Trade Missions to foreign countries. The Hon'ble Member in his reply observed that it was difficult to arrange such Missions owing to war conditions as it was not found possible to get suitable men to compose such Missions. But at the same time he suggested to the Committee to let him know, after due consideration, whether commercial men of the right stamp would be willing to go on such Trade Missions. My Committee have now fully considered this question and are of opinion that the sending out of Trade Missions to foreign countries is in the best interests of India. They are further of opinion that it will not be difficult to find suitable Indian personnel to constitute such Trade Missions. They beg to suggest that the Government of India may be pleased to approach important Chambers of Commerce in the country for the purpose of nominating suitable Indians to constitute such Missions ; Government will thus have a panel of names of persons willing to take part in such Trade Missions from which Government can ultimately

select a suitable personnel. It is hoped that this suggestion will be accepted by Government.

APPENDIX 118

Indo-Burma Trade Talks.

Telegram, dated 30th December 1940, from Chamber to Commerce Department, Government of India, New Delhi.

Committee, Indian Merchants' Chamber strongly support the view of the Bombay Rice Merchants' Association that the Government of Bombay should be empowered as the Governments of Bengal and Madras have already been to depute a representative to the trade negotiations which are going to be carried for a new Trade Agreement between India and Burma. Bombay enjoys a large share in the Indo-Burma trade and occupies a very important place with regard to rice. Under the circumstances Committee hope that the Government of India will be pleased to grant this request.

Letter No. 100-T(7)/38, dated 2nd January 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

In reply to your telegram, dated 30th December 1940, I am directed to inform you that the Government of India have decided to invite the Government of Bombay to nominate an adviser to be associated with the Non-Official Advisers for the above negotiations, in connection with imports of Burma rice into India.

Letter No. 17, dated 6th January 1941, from Chamber to the Chief Secretary to the Government of Bombay, Bombay.

With reference to my letter No. 2931, dated the 30th December 1940, on the above subject, my Committee are now advised by the Government of India that they have invited the Government of Bombay to nominate an Adviser to be associated with the Non-Officials for the above negotiations in connection with the imports of Burma rice into India. My Committee take it that the Government of Bombay will be

nominating a non-official, and they request that Government will be pleased to select the person to be so nominated in consultation with this Chamber and the Bombay Rice Merchants' Association. A representative chosen on that basis will be best fitted to put forward the viewpoint of the trade interests concerned. My Committee hope that Government will be pleased to accede to the above request. Please let me hear from you in the matter.

Letter No. 4266/34-A, dated 9th January 1941, from the Secretary, Government of Bombay, Bombay, to Chamber.

With reference to the correspondence ending with your letter No. 17, dated the 6th January 1941, I am directed to state that the Government of India have since accepted the proposal made by the Government of Bombay for deputing on its behalf one representative at the conference in connection with the trade negotiations mentioned above and that this Government having been asked to nominate one representative, official or non-official, has decided to nominate Mr. Mathuradas Canjee Matani, President, Bombay Rice Merchants' Association, to serve as the representative of the Bombay Government. The Government of India and the Bombay Rice Merchants' Association have been informed of this.

APPENDIX 119

Indo-Burma Trade Talks and Preference to Indian Flour in Burma.

Letter No. 174, dated 23rd January 1941, from Chamber to Commerce Department, Government of India, New Delhi.

In connection with the discussions now going on regarding the conclusion of a fresh Trade Agreement with Burma, I am desired by my Committee to draw the attention of Government to the necessity for continuing the preferential treatment afforded to Indian wheat flour under the existing Burma Tariff. While a duty is levied in that country on imports of foreign flour, under the terms of the Indo-Burma Trade Regulation Order, Indian flour is exempt from the levy

and as such, is in a position to compete with imported flour in the Burmese market. If this element of preference is withdrawn, it would be very difficult for the Indian exports of flour to maintain its hold in the Burmese market against foreign competition.

It may be recalled that in the year 1937 when the Protective duty on wheat and wheat flour in India was not renewed and was allowed to lapse, in this country wheat flour was included under the next heading in the Customs Tariff Schedule and was treated as " flour not otherwise specified ", being chargeable to import duty at 25%. In Burma, however, the position was differently interpreted and wheat flour remained for a time on the free list. Representations were made by commercial interests in the country pointing out the likely adverse effects on Indian export trade in wheat flour and the Government of India took the matter up with the Government of Burma with the result that *status quo ante* was restored and foreign wheat flour excluding flour imported from India was made subject to a duty of 25%. It is necessary to recapitulate these facts in order that India may not be faced with any similar situation as a result of arrangements made in connection with the new agreement. My Committee would invite a reference to their letter No. 1847, dated 2nd July 1937, addressed to the Government of India in connection with the developments in that year.

Thus, Indian flour enjoys a preferential treatment under the existing Burmese tariff. Having regard to the fact that India has enjoyed this export trade in wheat flour with that country for a number of years, it is necessary to ensure that no prejudicial steps are taken which would have the effect of displacing the trade. The Government of India will see to it that the same margin is afforded to Indian wheat flour under the Burmese import tariff. It would, however, appear that the Government of Burma are considering the question of imposing an import duty on food-stuffs, which would include flour, as a revenue measure. If, in considering the revenue exigencies of that Government, such a levy is found unavoidable, the least that could be done to the Indian export trade

is to see that the same margin of preference is maintained, i.e., the Indian flour should be subject to a rate of duty which is less by 25% than the rate applicable to foreign flour.

My Committee hope that the Government of India will be pleased to consider this matter favourably and take the necessary steps at an early date.

APPENDIX 120

Indo-Burma Immigration Agreement.

Telegram, dated 2nd August 1941, from Chamber to the Secretary, Education, Health & Lands Department, Government of India, Simla.

Committee, Indian Merchants' Chamber beg most strongly and emphatically to protest against the terms of the Indo-Burma Immigration Agreement recently published. They regret that the report of the Baxter Committee was not published before the Agreement was made, depriving the country of an opportunity to offer views and opinions on matters so vitally affecting Indians in Burma. They also regret the exclusion of accredited non-official Indians in India from the negotiations. Even the impression, created in India, that Sir Girja Shankar Bajpai's delegation kept in touch with the Ad Hoc Committee of Burma Indians, appears to be incorrect as the Burma Indian Chamber of Commerce and the Burma Indian Association now wire saying that they were not consulted on all points. Committee consider it preposterous that while no discrimination can be made under the Government of Burma Act against Indians in Burma in regard to travel, residence, holding of property or public office or carrying on any occupation, trade, business, or profession, attempts are now made to deprive them of these rights under the terms of the Immigration Agreement. Committee aware that Government of Burma Act enables Burma to put restrictions on the right of entry of Indians but not Britishers in that country but maintain that such restrictions could only apply to new immigrants and not to Indians already settled

and resident in Burma. Committee remind Government of the assurances given regarding the right of Indians in Burma at the Round Table Conference and safeguards referred to during the passage of the Burma Act and provided in the Instrument of Instructions. It is stated in a joint statement that both the Governments are anxious to secure for the Indian community, settled and resident in Burma, recognition of their legitimate rights. Committee, therefore, surprised that Indians settled and resident there should be deprived of their right to go back to attend to their business, trade, etc., in that country and the Government of India should be a party to the letting down of Indians in Burma by allowing Burma to put down restrictions which are likely to result in the expropriation and elimination of Indian interests in Burma. Committee understand that what mainly influenced the views and decision of the non-official advisers of the Indo-Burma Trade Negotiations was the assurance given that the conclusion of a Trade Agreement would improve the relations between the two countries and would ensure the safeguarding of the constitutional, economic and other rights of Indians in Burma. Committee now find that the policy of Government in concluding the Trade Agreement between the two countries without settling the question of immigration has only resulted in a great wrong to the rights of Indians in Burma. Apart from the grave and fundamental objections mentioned above which would justify their denunciation of the Agreement, Committee find that the introduction of permit system of quotas, entrance and residential fees and treatment of Indians already in Burma as fresh immigrants in case they went out of Burma, and returned to that country, would impose such hardships as would deprive them of proper opportunities for conducting their trade and business. Committee deeply resent the clause requiring registration of Indians in Burma as also Clause 14 of the Agreement relating to marriage and co-habitation, a clause which lays down the new moral code only for Indians and not for any other people living in Burma in the midst of Burmese people. Committee would, therefore, most earnestly urge the Govern-

ment of India not to ratify the Agreement but take immediate steps for radically revising the same in the light of public opinion for redressing the grievances of Indians in Burma for ensuring their legitimate rights in that country and for maintaining the dignity and honour of a country like India.

APPENDIX 121

Indo-Ceylon Negotiations

Telegram, dated 2nd August 1941, from Chamber to Department of Education, Health & Lands, Government of India, Simla.

Committee, Indian Merchants' Chamber understand that Government delegation consisting of honourable Sir Girja Shankar Bajpai and other Government officials proceeding shortly to Ceylon to negotiate Immigration Agreement. Committee strongly feel that proper atmosphere for considering such agreement not existing at present particularly when Government have let down Indian interests in connection with Indo-Burma Immigration Agreement. Committee would therefore strongly urge postponing negotiations for Immigration Agreement with Ceylon till Government have responded to public opinion and radically revised fundamentals and otherwise objectionable features of that agreement. After the manner in which grave wrong has been done to India by separate consideration of Indo-Burma Trade and Indo-Burma Immigration Agreements Committee consider it absolutely essential that Indo-Ceylon Trade and Indo-Ceylon Immigration Agreements should be negotiated together and that the Delegation should include non-official Indians elected by commercial and other interests. In order that proper atmosphere be created for same Committee would earnestly appeal Government not to rush through matters as in case of Burma and thus give further rude shock to the people of this country.

APPENDIX 122

Restrictions on Emigrants from India to Aden.

Letter No. 3230, dated 19th December 1941, from Chamber to Department of Indians Overseas, Government of India, New Delhi.

The attention of my Committee has been drawn to the imposition of certain new restrictions by the Government of Aden on emigration from India to that country. The revised terms and conditions are contained in a letter addressed by the Chief Secretary to the Government of Aden to the Secretary of the Chamber of Commerce, there. I am directed to send to you herewith, for the information of Government, a copy of the letter in question.

My Committee have no desire at this stage to recall the various stages of the controversy preceding the separation of Aden from India. They will only point out that when the decision was against the wishes of all parties concerned particularly in India and Aden, the Government of India, through their communique, dated 19th June 1933, gave an assurance on behalf of His Majesty's Government that "no racial legislation or segregation would be permitted by His Majesty's Government." The present move on the part of the Government of Aden is not in keeping with that assurance inasmuch as the restrictions proposed are reactionary and of a far-reaching character and will practically curtail the trade and business activities of Indian residents there, and eventually result in their gradual elimination from that country.

It is a matter for no small regret that when current events and developments connected with the war situation have emphasised the need for greater solidarity within the Empire and for creating greater common interests which would bind the links together more strongly, a Colony like Aden, the administration whereof is directly under the hands of His Majesty's Government, through the Colonial Office, should have thought it meet and proper to impose restrictions on a neighbouring country which, apart from the repercussions in the future, are likely to engender in the Indian minds a

feeling of bitterness and resentment. The affront to the Indian self-respect by the proposed restrictions will be felt all the keener by the Indian nationals when they recall that a country which they have helped to develop is now trying to shut its doors against Indian nationals and Indian trade.

Coming to the conditions proposed, practically all of them are of a reactionary character. New comers are not to be allowed and people who have closed their business since May 1940 will also come under this taboo. It is perhaps intended to get rid of Indians who had left the country during the emergency, winding up their affairs. New employees are not to be permitted except to substitute those leaving the Colony and managers and partners are not to be permitted entry except as substitutes or as visitors for a stated period. Employees will be permitted to enter for a period, in the first instance, of only six months, at the expiration of which time they will be required to leave the Colony unless they are allowed to extend their stay. The employer is required to sign a bond or make a cash deposit for an amount sufficient to pay for the employees' repatriation. The need for such a requirement cannot be understood inasmuch as when an employee is sent out from India, the employer has, under the existing rules, to deposit with the Emigration Office here, funds sufficient to pay for the employee's repatriation. The requirement of double deposit has no justification. A person who goes there as the employee of a particular employer will have no liberty to seek new employment elsewhere. New comers are debarred from bringing with them any dependents. Residents there are allowed to take their wives and children but not other relatives and under the Indian conditions family ties many relations like widowed mother, dependent sister or brother, etc., will be shut out.

All these restrictions obviously are intended to discourage Indians from seeking avenues of employment or from exploring new possibilities of trade in Aden. They are also intended gradually to eliminate the Indian interests there. My Committee very strongly feel that, apart from the material harm done to Indian interests, if these proposals are put into effect, there is the greater injury to Indian self-respect by restrictions

of this kind which are tinged with the spirit of racialism. My Committee request that the Government of India will be good enough to take up the matter energetically with the Government of Aden and the Colonial Office and to see that the regulations in question are not put into effect in their present form.

They would also, in this connection, like to suggest that adequate representation in the body constituted to regulate Indian emigration to that country, should be secured to Indian interests resident in Aden. If any Board is set up for the purpose, as is obviously proposed under paragraph (*h*) of the conditions referred to in the enclosure, two seats should be allowed to Indians on that body.

Letter No. F. 102|42-O.S., dated 29th January 1942, from Department of Indians Overseas, Government of India, New Delhi, to Chamber.

I am directed to refer to your letter No. 3230, dated the 19th December 1941, regarding the restrictions which have been imposed on the immigration of Indians into Aden, and to say that enquiries made by the Government of India reveal that the immigration restrictions imposed by the Government of Aden are of general application and are intended as a purely temporary measure based on military considerations. The restrictions apply equally to all British subjects and not to Indians alone. The Governor of Aden has explained that when the period of danger has passed, Indians will once again be welcomed to Aden but that for the present it is necessary to restrict the population in the colony so as not to aggravate war time problems of food supply, air raid protection and so forth.

APPENDIX 123

Trade Treaty with Australia.

Letter No. 2207, dated 8th September 1941, from Chamber to Commerce Department, Government of India, Simla.

One of the questions discussed with the Hon. Member for Commerce by my Committee when he met them last was

that of Trade Treaties. The Hon'ble Member replied that the Government of India were prepared to enter into a Trade Treaty with Australia if the commercial community suggested taking such a step, his own information being that Australia was prepared to favourably consider such a suggestion. My Committee have now considered this question and are of opinion that Government should take steps to negotiate for such a treaty with Australia as they feel that a treaty with Australia, if negotiated in the interests of the public concerned, will prove of great benefit to the country. They also suggest that in any negotiations taking place in this regard the legitimate rights of Indians with regard to travel, residence, business, etc., should be taken into account.

APPENDIX 124

Elimination of Indian Merchants from Trade in Japan.

Letter No. 889, *dated* 15*th April* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

The Committee of this Chamber have received a note regarding certain trade practices in Japan, from one of their members, a copy of which is sent herewith for your information. It will be seen from this that certain trade practices now in vogue in Japan are calculated to lead to the elimination of Indian merchants trading there. It has, in fact, led to a reduction, by a very large percentage, of the trading interests of Indians. My Committee beg to presume that Government might have got, perhaps, all this information from their Trade Commissioner in that country. Anyhow, the evil has now reached very great proportions, and it is high time that some action is taken immediately in the interests of Indian merchants working in Japan. It appears also paradoxical to my Committee that the fixing of quotas for both imports into this country and exports from this country should have been left to the Japanese Government and merchants in Japan itself, and should not have been regulated with regard to Indian businessmen at this end. Government, it is hoped, will agree that if the practices now prevalent are

not stopped, even after representations to the Government of Japan by the Government of India, quotas may have to be fixed at this end. My Committee, therefore, request the Government of India to be pleased to enquire into all these grievances and see if a solution cannot be found out in the interests of Indian trade and commerce, which are threatened, to a very large extent, by the practices referred to above.

APPENDIX 125

Trade Relations between India and Japan.

Letter No. 2082, dated 21st August 1941, from Chamber to Commerce Department, Government of India, Simla.

I am directed to refer to the Government of India Notification, dated 26th July 1941, in respect of trade relations with Japan. It is presumed that under the said notification all trade relations between India and Japan are practically cut off. Although the circular No. AD-55 issued by the Reserve Bank of India on the 26th July 1941 does clarify to a certain extent the operation of accounts with regard to persons, firms or residents in the Empire of Japan and the Republic of China as also regarding the honouring of obligations under confirmed credits opened on or before 26th July 1941, etc., my Committee feel that merchants having trade dealings with Japan are not quite aware of how the situation stands with regard to their commitments with that country. It is obvious that following upon the complete severance of trade relations with Japan, the performance of mutual contracts, entered into even before the date of the notification, in the process of fulfilment would be held up. My Committee would like to be enlightened as to the exact position with regard to such contracts, whether facilities would be allowed to complete them and whether Government would arrange for the adjustment of payments and claims in the case of such contracts. My Committee would also like to have some light thrown with regard to the position of future business with Japan. My Committee beg to point out that the implications arising out of the complete severance of business relations with Japan

will be of an involved nature and Government will have to consider the grave difficulties consequent upon such a situation. My Committee request that Government will be pleased to reply to their above queries with a view to clarify the present situation with regard to trade relations with Japan.

Letter No. 3-C(17)|41, dated 12th September 1941, from Department of Commerce, Government of India, New Delhi, to Chamber.

I am directed to refer to your letter No. 2082, dated the 21st/23rd August 1941, regarding trade relations between India and Japan in the present circumstances, and to say that in particular the subject of the kind of contracts to which you refer is a very complicated one and there is a danger that any reply in general terms might be misleading. For this reason the Government of India would prefer to have the question which you have put to them stated more specifically with reference to the various kinds of transactions your Chamber have in view.

2. I am to add that the Government of India are fully aware of the grave implications of this matter and that the question of regulating future business with Japan is under their active examination. They are not yet, however, ready to make any public announcement.

Letter No. 2492, dated 6th October 1941, from Chamber to Commerce Department, Government of India, Simla.

I am directed to refer to the correspondence ending with your letter No. 3-C(17)/41, of the 12th September on the above subject. My Committee note that the question of regulating future business with Japan is under the active examination of Government. They trust that Government will be able to announce their decision at an early date so that the present state of uncertainty may be removed. They need hardly remind the Government of India that the matter is urgent in view of the imminence of movement of the Indian cotton crop, and its declining prices.

With regard to the specific issue of contracts entered into prior to the 26th of July, viz. the date of the freezing order, my Committee would particularly like to request Government to consider the position of contracts by Indian merchants and exporters for the export of raw cotton to Japan. Contracts for sales of cotton to Japan and to the Republic of China generally are on C.I.F. terms and as such the responsibility of arranging for the freight to carry the same devolves on the Indian seller at this end. It is, however, a matter of common knowledge that the whole freight space to Japan is by virtue of certain existing arrangements controlled and shipments have to be made through the Agency of the Rengokai, an Association of Japanese Spinners. The said Association has an agreement with all the steamship companies, including the British Company, plying between India and Japan and freight space for shipments to Japan will be available only if allotted by the Rengokai. Thus technically whatever may be the obligation of the shipper at this end under the C.I.F. contract to arrange for the freight space, in actual practice the fulfilment of that obligation is entirely dependent on the co-operation or decision of the organisation controlling shipping space, namely, the Rengokai.

Consequent upon the Freezing Order of the 26th July, movement of ships between India and Japan is virtually prevented with the result that it would not be possible for the Indian exporters to arrange for the export of cotton contracted for before the 26th of July. Although normally, the provision of freight space is not their (Indian sellers') part of the work, it being the exclusive sphere of the Rengokai, as explained above, it would be open to Japanese buyers to take advantage of the fact that the contract is a C.I.F. one and to plead that the seller, having failed to arrange for the freight, had not fulfilled that part of the contract and as such, the buyer would be at liberty to deem the contract as cancelled and plead *force majeure* or operation of Section 56 of the Indian Contracts Act in justification and thus would not be bound by any consequence thereof. Such a development will be unfortunate in the present circumstances inasmuch as cotton prices

have subsequently slumped and Indian merchants who have sold cotton to Japan at the higher prices then prevailing would stand to lose considerably.

Over and above being deprived of the opportunity of claiming payment for cotton sold before the 26th July in the circumstances explained above, there is also the possibility of the Indian merchant or exporter being forced to pay to the Japanese buyers any amounts due to them in respect of previous transactions. Thus the liability for all cotton that had already been shipped in respect of allowance in quality, shortage in weight, etc., will be claimed as debts due from the Indian nationals and will be collected on behalf of such Japanese buyers to be credited here in the "blocked" accounts. While on the one hand, therefore, the Freezing Order effectively prevents the Indian merchant from cashing in amounts due to him from Japanese nationals under contracts in respect of sales of cotton, on the other, he is immediately called upon to pay any amounts that may be owing to such Japanese nationals arising out of previous transactions.

At present the Reserve Bank of India does not renew credits and licences for the shipments of cotton to Japan and China is not given by the Export Controller. Therefore, no steamer will leave Japan for cotton from India. In order to prevent such state of affairs, my Committee would suggest that as Government have not so far specifically prohibited exports of cotton to Japan, they should allow export of shipments covered by contracts entered into before the 26th of July. It is understood that some steamers are likely to arrive from Japan shortly with evacuees and to take away evacuees and if Government announce that as far as contracts, prior to the Freezing Order, are concerned, shipments will be licensed and credits will be renewed if freight space is made available, there is a likelihood of some steamers carrying some cotton in their voyage back to Japan. Such an announcement from Government would help to liquidate some of the sales made by Indian merchants when the rates ruling were high. Incidentally liquidation of such stocks would also have the

effect of easening the situation prevailing at present in the cotton market on account of accumulation of stocks.

Similarly, there is also the question of contracts entered into before 26th July for the importation of Japanese piecegoods and yarn. Since then, prices have gone up and if these imports are not allowed, the merchants here will be denied the benefit and the advantages incidental to such rise and would also be seriously handicapped. Moreover, if such goods are allowed to be imported, the amounts payable in respect thereof will become available towards making payments for cotton allowed to be exported as suggested herebefore. It would not be difficult for the Reserve Bank of India to ensure that the proceeds for such imports into India are made available only for the export of Indian cotton sold before the Freezing Order came into force.

My Committee hope that the Government of India will be pleased to consider the above suggestions favourably. In view of the urgency of the matter, it is requested that they will be good enough to come to early decisions in this regard.

Letter No. 3-C(17)|41, *dated 27th October* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

I am directed to acknowledge receipt of your letters No. 2492, dated the 6th October 1941 and No. 2562, dated 9th October 1941 on the above subject.

I am to say that the Government of India regret that for reasons of policy they are unable to permit any relaxation of the existing restrictions on the export of cotton to Japan. The resulting situation is receiving their attention.

With reference to the complaint that Japanese exporters are demanding 10 to 15% increase in prices in respect of prior contracts, I am to request that the Government of India may be furnished with information as to the classes of goods to which the complaint relates. I am to add that in the case of piecegoods of cotton, silk and artificial silk, the Government of India have, for reasons of policy, revoked all import

licences for such goods unless they were paid for before the 26th July 1941 and shipped before the 12th September.

Telegram, dated 29th October 1941, from Chamber to Commerce Department, Government of India, New Delhi.

Reference Commerce Department No. 3-C(17)/41, dated 12th September, Committee Indian Merchants' Chamber invite your immediate attention to their letter No. 2492, dated 6th Oct. regarding position of outstanding contracts for export of cotton to Japan. Earnestly request that as Government so far have not specifically prohibited export, they should announce that so far as contracts prior to Freezing Order are concerned shipments will be licensed and credits renewed if freight space is available. Committee understand that last steamer to Japan leaving Bombay in two days' time and therefore, essential that Government announcement permitting such exports should be made immediately.

Telegram, dated 31st October 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

Your telegram dated 29th October. Cotton to Japan. Regret inability to relax existing order.

Telegram, dated 6th November 1941, from Chamber to Commerce Department, Government of India, New Delhi.

Your telegram dated 30th and your letter dated 27th ultimo, Government's policy tantamount to prohibit cotton shipments by Indian nationals against their sales, therefore these contracts are liable to be cancelled under *force majeure* Clause, Section 56 of the Indian Contracts Act without any obligation on the part of Japanese buyers to pay differences. On the other hand, some Indian nationals have to pay their accrued debts to Japanese which they are insisting on Indians to pay in the Japanese Blocked Account of the Reserve Bank which the Law does not forbid. Net result due to Government action, Indian nationals stand to lose a big amount due to their inability to ship and they are also made to pay their accrued debts to the Japanese. Immediate communique

requested forbidding Japanese to collect their dues from Indian nationals in their Reserve Bank Blocked Account if they have contracts which are not being fulfilled because of the Government action. If Government desire, the Indian nationals may be asked to pay in the Reserve Bank in a separate account their accrued debts without any access of the Japanese to that account.

APPENDIX 126

Demand for Increase in Contracted Prices by the Japanese Exporters

Letter No. 2562, dated 9th October 1941, from Chamber to Commerce Department, Government of India, Simla.

My Committee have received complaints that recently Japanese Exporters have been demanding from their Indian constituents increase in the prices in respect of prior contracts to the extent of 10 to 15 per cent. Alternatively it is suggested that the contracts would have to be cancelled on the plea of orders to that effect from the Japanese Government or the Export Associations concerned. There have also been instances of Japanese Exporters advising Indian Importers that shipments of all outstanding contracts have been prohibited under Government orders and as such asking such contracts to be deemed as cancelled. At the same time, the Japanese Exporters are prepared to enter into fresh contracts in respect of the same orders at increased rates. However, on enquiry, it is found that there are certain Japanese Exporters who have informed their Indian constituents that they are willing to fulfil all outstanding contracts at contract prices as soon as freight was available. When thus some of the Japanese Exporters are willing to fulfil their obligations, it would *prima facie* appear that there is no specific or general order from the Government of that country demanding either cancellation of contracts or increase in the contracted prices. It is felt that the Exporters are invoking the name of Japanese Government only to take advantage of the subsequent in-

crease in prices or to free themselves from their contractual obligations. My Committee, therefore, request that the Government of India will be pleased to take the matter up with the Japanese Government either through the Trade Commissioner or otherwise with a view to finding out the exact position and with a view to see that the Japanese Exporters are not allowed to get away from their contractual obligations by such questionable means. Government will emphasise that considerations of business integrity and continuation of normal business relations between the two countries require that past commitments should be fully respected.

Letter No. 3-C(17)/41, dated 27th October 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

I am directed to acknowledge receipt of your letters No. 2491, dated the 6th October 1941, and No. 2562, dated 9th October 1941, on the above subject.

2. I am to say that the Government of India regret that for reasons of policy they are unable to permit any relaxation of the existing restrictions on the export of cotton to Japan. The resulting situation is receiving their attention.

3. With reference to the complaint that Japanese exporters are demanding 10% to 15% increase in prices in respect of prior contracts, I am to request that the Government of India may be furnished with information as to the classes of goods to which the complaint relates. I am to add that in the case of piecegoods of cotton, silk and artificial silk, the Government of India have, for reasons of policy, revoked all import licences for such goods shipped from Japan after the 12th September 1941 unless they were purchased and paid for before the 26th July 1941.

Letter No. 2863, dated 14th November 1941, from Chamber to Commerce Department, Government of India, New Delhi.

With reference to paragraph 3 of your letter No. 3-C(17)/41, dated 27th October 1941, on the above subject, the demands for an increase of 10 per cent to 15 per cent in the contracted

prices relate to Rayon, Staple and Cotton Yarn. Raw, spun and thrown silk contracts entered into with Japanese firms on a large scale, prior to the Freezing Order, have been unconditionally cancelled, as per copy of a circular received by local merchants from the Bombay Japanese Yarn and Piecegoods Union.

COPY

BOMBAY JAPANESE YARN & PIECEGOODS UNION
Bombay, 30th October, 1941.

To

Messrs. Nagindas Foolchand Chinai,
Bombay.

Dear Sirs,

Re : Outstanding Contracts

We invite your attention to our previous circulars on the above subject and now have to inform you that we understand from our respective Head Quarters that owing to the Governmental Export Control Regulations in Japan, and the Import Control Regulations in India, as well as the practical closing-down of all Shipping services from Japan to India and also the impossibility of Exchange settlement owing to freezing of assets by respective Governments, the execution of all outstanding contracts is impossible of fulfilment and such contracts must be deemed as cancelled.

We extremely regret that circumstances have so combined to render it absolutely impossible for us to fulfil our commitments. Whilst we cannot, of course, accept any responsibility in the matter, we assure you that whenever the situation improves, as it ought to, we shall fully bear in mind the goodwill and co-operation extended to us by our respective clients at a time of stress and misfortune.

Thanking you,

Yours faithfully,

Ataka & Co., Ltd.
Gosho Kabushiki Kaisha, Ltd.
Representative, Hattori Shoten, Ltd.
Japan Cotton Trading Co., Ltd.
Konishi Co. (India), Ltd.
Mataichi Kabushiki Kaisha, Ltd.
Mitsubishi Shoji Kaisha, Ltd.
Mitsui Bussan Kaisha, Ltd.
Nissho Co., Ltd.
Sanko Kabushiki Kaisha, Ltd.
Toyo Menka Kaisha, Ltd.

Per Pro Mitsui Bussan Kaisha, Ltd.

(Sd.)

Manager, Bombay Branch.

APPENDIX 127

Quota for Imports of Japanese Piecegoods.

Letter No. 443A, dated 20th February 1941, from Chamber to Commerce Department, Government of India, New Delhi.

The Committee of this Chamber are informed by some of their members that recently the Import Trade Controller, Bombay, has laid down that quotas in money allowed for imports of silk piecegoods from Japan will be on the basis of the market value of the goods to be imported of such quotas on the date of their import to Bombay and not on C.I.F. value. This has created a difficulty, for the market value is not either a constant factor or ascertainable in advance on the date when the order is placed ; but on the contrary it is fluctuating in itself and may be affected by fluctuations in exchange rates. Government will appreciate that such a position makes it very difficult for the merchants to judge and

determine what orders they should place, as it may well be that when the goods ordered by them on the basis of the market value then prevailing arrive, the market may be much higher. Under the orders now issued by the Import Trade Controller, the merchants will not be allowed to take delivery of all the goods so ordered but only such portions as will be covered in value by the quota allowed. This will also create complications with the agents or correspondents in Japan and create a feeling of uncertainty and probable complications which will retard business.

In this connection, my Committee are informed that in Calcutta, Karachi and Madras goods under quota are allowed to be imported on the basis of the invoice value and not on market value. If this information is correct, Bombay importers have to suffer needlessly from an invidious distinction.

Under the circumstances, I am directed by my Committee to request the Government of India to be pleased to issue instructions that the recent orders of the Import Trade Controller may be withdrawn and that the imports of goods under quota may be allowed on the basis of C.I.F. value and not on market value.

Letter No. 350(7)-Tr.(I.T.C.)|41, dated 12th May 1941, from Commerce Department, Government of India, Simla, to Chamber.

With reference to your letter dated the 20th February 1941, I am directed to say that revised instructions have been issued to the Import Trade Controllers for the calculation of quotas and grant of licences on basis of c.i.f. value of goods.

APPENDIX 128

Evacuation of Indians from Japan.

Telegram, dated 14th August 1941, from Chamber to Department of Education, Health & Lands, Government of India, Simla.

Committee Indian Merchants' Chamber learn that about three hundred Indians including women and children are at

present stranded in Japan with no steamers in sight to bring them here. They are anxious to return to their motherland specially as the whole business is paralysed and they have no business or work to do. Committee earnestly appeal to Government to repatriate these Indians back to India with least possible delay.

Letter No. W.384, dated 30th August 1941, from Political & Services Departmen, Government of India, Simla, to Chamber.

With reference to your telegram, dated the 14th August, 1941, on the above subject, addressed to the Government of India in the Department of Education, Health & Lands, I am directed to state that the Government of India in the External Affairs Department have intimated to say that the matter has already received their earnest attention and that every step possible is being taken to arrange for the evacuation of those British Indians who are anxious to leave Japan.

APPENDIX 129

Import Trade Control

Letter No. 439, dated 20th February 1941, from Chamber to Commerce Department, Government of India, New Delhi.

The Committee of this Chamber have time and again been receiving complaints from their members ever since the beginning of the war, with regard to grievances, hardships and difficulties and inconveniences they have to suffer owing to the control policy of the Government of India both as regards imports and exports. My Committee had been obliged to make representations to Government on several occasions in the past and have also placed those grievances before the Hon'ble the Commerce Member whenever he visited them. They recognise and appreciate that Government have to institute certain control policy owing to the war times and that the business community also has to put up with certain restrictions. At the same time, they feel that Government themselves do not want that either the

import or export trade of the country should suffer as a result of any control policy of theirs. Government surely, they trust, want not only the continuance of the usual import and export trade, but also, if possible, an increase in such a trade. It is because of this that Government have been taking steps like the Eastern Group Conference, sending out Trade Missions, additional appointments of Indian Trade Commissioners, etc., in order that the trade of the country may not suffer under the present circumstances. It is with this view that my Committee now beg to approach the Government of India with a request that they will be pleased to consider the case put up by them favourably and take such steps as are possible to give relief to merchants both as regards imports and exports.

My Committee have in a recent sub-Committee meeting studied these questions in collaboration with businessmen dealing in different lines, and they now address this representation embodying all the points which apply not to one trade only, but to several trades like Paper, Fountain Pens, Iron & Steel, Dyestuffs, Chemicals, etc.

(*a*) Whenever a control is instituted, the same should come into operation only from the date of the notification announcing the same and on no account retrospective effect should be given ;

(*b*) All goods covered by orders or firm contracts placed or executed before the date of the coming into force of any control should, as a matter of course, be allowed to be imported, and licences for such imports should *ipso facto* be granted ;

(*c*) In the case of orders for which merchants have already opened confirmed letters of credit, considerable inconvenience and loss would arise if licences were not granted in time, by either the credits being not renewed within the time stipulated or the credit amount being drawn against ;

(*d*) In the matter of fixing quotas, the period selected as the basis for such quotas should be determined in consulta-

tion with the representatives of the trade concerned and should be announced in advance ;

(*e*) An Import Advisory Council, with subsidiary Committees at different ports, should be appointed to discuss and settle points involving practical difficulties ;

(*f*) An Import Controller for Steel in Bombay should be appointed ; and

(*g*) Steps for giving wider publicity to the Import Control notifications and rules thereunder should be taken.

My Committee hope that Government will be pleased to give effect to all the above recommendations as soon as possible in the interests of the import trade. They particularly emphasise that it is now high time that an Import Advisory Council with subsidiary Committees at different ports be appointed. My Committee suggested the formation of such a Council so far back as 22nd June 1940 and Government were pleased to reply to them that they had carefully considered the suggestion but were of the opinion that it would be premature to take such a step before further experience of the working of the scheme had been gained and a clearer view obtained of the nature of the problems involved. Government have now gained experience of 7 or 8 months of the working of the Control scheme and my Committee feel that Government will now agree with them that the time has now come when an Import Advisory Council may be constituted.

Similarly, there is a persistent demand on the part of Iron & Steel traders that an Import Controller for Steel should be appointed for Bombay, as they have to run up to Calcutta for their requirements and they experience great difficulty with regard to licences and permits.

Letter No. 368(23)-*Tr.* (*I.T.C.*)|41, *dated* 27*th March* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 439, dated the 20th February 1941, embodying certain points in regard to Import

Trade Control, I am directed to say that the Government of India are generally agreeable to your suggestion in regard to the institution of import control on any article from the date of the notification and not with retrospective effect ; and they will give due consideration to the proposal that licences for the import of goods, which are the subject of firm contracts entered into before the date of notification, should be granted *ipso facto.*

2. As regards the suggestions about the treatment to be accorded to orders backed by irrevocable letters of credits and the appointment of Import Advisory Council and its subsidiary Committees, I am to say that the matter is receiving consideration.

3. The Government of India regret that they do not consider it necessary nor feasible in all cases to determine the period selected as basis for calculation of quota in consultation with the representative of the trade or to announce the same in advance.

4. I am to add that the Government of India are not satisfied that the appointment of an Import Controller for Steel in Bombay is necessary at this stage.

5. As regards your suggestion that wider publicity should be given to Import Trade Control notification and rules, I am to point out that Press Notes are issued as soon as an article is subjected to import trade control. The Government of India would however be prepared to consider any measures that you may have to suggest in this direction.

Letter No. 1297, *dated 5th June* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

The Government of India had in their letter No. 358(23)-Tr.(I.T.C.)|41, dated the 27th March, 1941, in reply to certain suggestions made by my Committee regarding the administration of the Import Control Scheme, observed that "They will give due consideration to the proposal that licences for the import of goods, which are subject of firm contracts entered into before the notification, should be granted *ipso facto.*"

They would like to know if any instructions have since been issued to the officers administering the control scheme regarding the extent of the preference admissible to firm contracts entered into before the coming into force of the control.

My Committee are receiving complaints that in actual practice Government have not shown any preferential treatment in regard to prior contracts and applications for licences in respect of such contracts are not being granted *ipso facto*. As a matter of fact, in a letter addressed to one applicant, Ref: Government of India, Department of Commerce, No. 365(58)-T.C.|41, dated 26th April, 1941, it is found that Government have observed that the statement made in Government letter to this Chamber of the 27th March last did not "constitute an assurance to grant licences *ipso facto* in the circumstances in question."

I am desired by my Committee to seek further clarification of the implication of the assurance given by Government to this Chamber in the letter in question, dated 27th March, 1941.

Letter No. 368(23)-I.T.C.|41, dated 6th August 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 1297, dated the 5th June 1941, on the above subject, I am directed to say that in their letter of the 27th March 1941, the Government of India merely stated that they would give due consideration to the proposal that licences for the import of goods, which are the subject of firm contracts entered into before the date of notification, should be granted *ipso facto*. This did not constitute an assurance that licences would be granted, as suggested by the Chamber, in all cases without restriction or exception.

2. The Government of India have already considered the suggestion of the Chamber and issued instructions to all the Import Trade Controllers (*a*) that shipments effected up to a certain date later than the date of the notification imposing

the restriction should be licensed on application, and (*b*) that firms orders covered by irrevocable letters of credit or against which advance payment has been made before the restriction was imposed should be licensed, provided that in the case of orders covered by irrevocable credits shipment is made within the unextended period of currency of the credits.

Letter No. 2013, dated 18th August 1941, from Chamber to Commerce Department, Government of India, New Delhi.

I am directed to acknowledge receipt of your letter No. 368(23)-I.T.C.|41, dated the 6th August 1941. The letter in question states that the Government of India have already considered the suggestion of the Chamber and issued instructions to all the Import Trade Controllers :

(*a*) that shipments effected upto a certain date later than the date of the notification imposing the restriction should be licensed on application ; and

(*b*) that firm orders covered by irrevocable letters of credit or against which advance payment has been made before the restriction was imposed, should be licensed, provided that in the case of orders covered by irrevocable credits shipment is made within the unextended period of currency of the credits.

My Committee will be greatly obliged if you will kindly let them know as to what is this " certain date later than the date of the notification." My Committee presume that if there are firms orders already booked before the date of such notification and if the shipments are effected whenever shipping space is made available, there should be no difficulty in giving licence on application.

With regard to the second clause, my Committee are of opinion that the licence should not be refused merely because the period of the currency of credit may have lapsed as in these uncertain days very often freight is impossible to secure.

APPENDIX 130

Import Control on Dyes.

Telegram, dated 10th January 1941, from Chamber to Commerce Department, Government of India, New Delhi.

Committee Indian Merchants' Chamber wish to draw Government's attention to the feelings of anxiety and nervousness prevailing in trade and industrial circles at Government's decision to control imports of coal-tar dyes. It is pertinent to point out that India has to depend entirely on imported dyes and has no indigenous production of her own. If Government consider such control inevitable or unavoidable for conserving currency resources Committee submit that at least control should be administered in a manner which would not involve any real or substantial hardship to industries and trade interests concerned. Committee understand that Government are convening a conference in this regard on fifteenth instant and earnestly urge that a representative of this Chamber should be invited to attend. If quotas are to be fixed individually weightage should not be given to Imperial Chemical Industries for the share of the imports of chemdyes because of having acquired stocks of chemdyes and the period selected for determining quotas should be fair to all interests concerned.

Letter No. 309, dated 7th February 1941, from Chamber to Commerce Department, Government of India, New Delhi.

My Committee had, in their telegram dated 10th January 1941, addressed to Government, conveyed the feelings of anxiety prevailing in trade and industrial circles in connection with the institution of a system of control for imports of Coal-tar dyes. Government, in their Press Note dated 17th December 1940, had announced that it was intended to consult the various interests concerned about the application of the restriction to different classes of dyes and the question whether it should be accompanied by any rationing of supplies. Accordingly, a Conference of representatives of trade interests was convened by Government on 15th January. My Committee are receiving frequent enquiries from the interests

concerned about the outcome of that Conference, and they would like to be enlightened at a very early date, as to whether Government have formulated their proposals for administering the control scheme in the light of suggestions made to them by representatives of trade interests. My Committee further submit that, in view of the great importance of the question, it is necessary that the tentative proposals of Government for administering the control should be previously circulated to important organisations like this Chamber, so that before Government take final decisions on the same, an opportunity may be offered to those concerned for placing before Government their views and suggestions.

Letter No. 374(27)-Tr.(I.T.C.)|41, dated 26th March 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 309, dated the 7th February 1941, I am directed to say that the questions relating to the application of the restriction to the various classes of dyes and whether the same should be accompanied by rationing of supplies are still under consideration. It is, however, probable that the establishment of a full scheme of administration in this connection will take some time. I am to add that the Government of India whilst they will give due weight to the views of those concerned, regret that they cannot agree to your suggestion that the tentative proposals of Government for administering the control should be previously circulated to important trade organisations for their views.

Letter No. 2353A, dated 19th September 1941, from Chamber to Commerce Department, Government of India, Simla.

I am directed to acknowledge the receipt of your letter of the 10th instant, No. 374(27)-Tr.(I.T.C.)|41.

In this connection, I am asked to bring to the notice of Government the following remarks made by the President of this Chamber at the interview of my Committee with the Hon'ble Sir A. Ramaswami Mudaliar, Member for Commerce, Government of India :—

"... my Committee suggest that with regard to importers who are given certain quotas for imports they should be required to stipulate that they give the first preference to the mills or factories which had placed their indents with them as it was obviously upon the basis of these indents that they got their quotas. What I mean is that the mills or factories should be consulted in advance as to the particular quantity or quality required by them and the importers should use the quota in first getting such specified supplies; only after the industry's demands are satisfied, importers should be entitled to enter into fresh or additional commitments."

I am directed to enquire if any steps have been taken by Government in this regard and, if so, what steps.

Letter No. 4575, dated 11th October 1941, from Chamber to Commerce Department, Government of India, Simla.

I am directed by my Committee to invite a reference to this office letter No. 2353-A, dated 19th September 1941, addressed to Government on the above subject, wherein they had suggested the necessity for safeguarding the interests of industrial consumers in connection with the administration of the Import Control of Coal-tar Dyes. They had suggested that the requirements of mills or factories and other consumers should be consulted by the licensed importers and that such consumers should have a preferential claim for supply of dyestuffs of a share proportionate to their purchases in the past and the importers should be entitled to enter into fresh or additional commitments only after the industry's demands were thus satisfied. My Committee wish to reiterate the above views and urge that the Government of India will be pleased to consider the same sympathetically and issue necessary instructions to implement the suggestions in working out the control scheme.

In this connection, the attention of my Committee has been drawn to the hardship experienced by one consumer by the operation of the control scheme in its present form. They are referring to the case of the Bombay Union Dyeing Mills,

the details whereof have been set out in the representation made by the Mills to the Government of India and the Import Trade Controller. The interests of such an important consumer, my Committee feel, should not be allowed to be jeopardised by a too technical adherence to the details that may be settled in administering the control scheme. In this particular case, the Mills in question had been importing dyes both directly and through indenting houses for a number of years, and ordinarily it was reasonable to expect that they would be allowed to import dyes proportionate to their share of such previous imports, direct and indirect. Unfortunately, it would appear that their claim for a quota has been rejected on the ground that they had not to their credit any imports during the financial year 1938-39, although they had imported in both the calendar years 1938 and 1939. If Government cannot include their name in the list of Registered Importers under the Import Control Scheme, they should at least allow the Mills the benefit of a quota proportionate to their previous imports to be availed of through any of the Registered Importers.

Letter No. 374(27)*I.T.C.*/41, *dated 27th November* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

Your letter No. 2353, dated the 19th September 1941, regarding Import Control on Dyes.

I extremely regret the delay that has occurred in replying to it. The trade distribution of dyes is being watched and no serious complaints have reached the Government of India from the consumers. The question is being examined again in relation to the establishment of the Textile Directorate of the Supply Department at Bombay of which you are already aware, and any conclusion which the Government of India may reach will be communicated to you.

Letter No. 3135, *dated 9th December* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

My Committee were informed by Government, *vide* their letter No. 374(27)Tr. I.T.C., of the 13th August 1941, that the

new system of Import Control would last, in the first instance, until 31st December 1941. Government must, therefore, no doubt be considering suggestions regarding directions in which the present scheme should be modified having regard to the practical difficulties experienced in the working out of the same. The main feature of the existing scheme is that registered importers will be allowed quotas on the basis of their imports of dyestuffs during the calendar year 1940. In this connection, my Committee beg to request Government to be pleased to consider the position of established importers who had in previous years been importing dyestuffs from Continental countries like Italy, Holland and France. Such importers should be given additional quotas on the basis of their previous imports from Continental sources of supply.

The question of the position of importers from Japan is at present of practical importance in view of the recent developments, as imports from Japan naturally are not now permissible and it is, therefore, necessary to allow the importers concerned additional quotas to the extent of their previous imports from Japan ; otherwise, apart from the interests of the importers suffering, there is bound to be a shortage in the supply of dyestuffs in the country, with the result that consumers and industries are likely to experience serious difficulties in the pursuit of their day-to-day operations.

My Committee request that Government will be pleased to consider the above suggestions favourably and to bring about such changes in the system of import control of dyes as would meet the difficulties in question.

APPENDIX 131

Indian Match Industry and Import Control Regulations.

Letter No. 633, *dated* 12*th March* 1941, *from Chamber to* (1) *Department of Commerce, Government of India, New Delhi,* (2) *Director of Industries, Bombay,* (3) *Central Board of Scientific and Industrial Research, New Delhi.*

The attention of the Committee of this Chamber has been drawn by the Indian Match Manufacturers' Association

of Bombay to certain difficulties experienced by them owing to the stoppage of supply of certain essential materials required by the industry, for purposes of match making. The Match industry requires certain types of papers which are of special quality. These papers are (1) blue match paper in narrow reels, (2) green match paper, (3) kraft paper, and (4) water-proof ocean paper. The blue paper is generally supplied in reels and used to be imported from Germany and Sweden. This is very essential for match box making and cannot be substituted. After the war match papers were imported from America. With the introduction of the Import Control for paper, however, licences were required for the import of these papers. It is understood that licences are to be given to the extent of only 25% of the quantity purchased in the year 1940. In 1940, manufacturers were in correspondence with America, and it is, therefore, difficult for factories to produce proofs of the quantity imported in 1940, as required by Government. Apart from this quota being extremely inadequate it is to be pointed out that manufacturers were generally getting their requirements from local markets from existing stock and, therefore, they have no individual quota to their credit. The stocks in the market having been depleted, they will have to depend upon imported sources for fresh supplies. Unless, therefore, permission is given to import to the extent of the full requirements of the factories, considerable difficulty will be experienced by the match manufacturers in continuing their production to the full capacity. Government may satisfy themselves regarding the exact requirements of an individual factory and allow imports of above varieties of paper, particularly blue match paper in narrow reels to the extent of such requirements.

It is also feared that there would be difficulty in securing supplies of the following essential chemicals required for match making :—

1. Bichromate of Potash.
2. Chlorate of Potash.
3. Red Amorphosphorous.

4. Geletine Glue.
5. Antimony Sulphide.
6. Zinc White.
7. Amonium Phosphate.
8. Sulphur Flower.

All these chemicals were also being purchased by manufacturers locally from stocks imported from Japan. It is necessary to see that in the allocation of quota under the Control scheme, sufficient provision is made for the actual requirements of the factories in question.

Looking to the fact that Government themselves are buying large quantities of matches and that the scarcity of matches will be felt keenly by the poor and middle-classes specially, my Committee request the Government of India to be pleased to allow the match manufacturers to import the materials required by them to the full extent of their requirements.

Letter No. 365(36)-*Tr* (*I.T.C.*)/41, *dated* 3*rd April* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 633, dated the 12th March 1941, I am directed to say that the question of the supply of paper required for match manufacture is already receiving the attention of the Government of India.

2. As regards the chemicals required for manufacture, I am to point out that there is no restriction on the importation of any of the chemicals mentioned therein except Bichromate of Potash. With regard to Bichromate of Potash, licences are granted on the basis of previous imports but the Government of India will consider each application of match manufacturers for the importation of this article on its merits.

Letter No. 113-*Ind.* (1)/41, *dated* 28*th April* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 632, dated the 12th March 1941, addressed to the Secretary, Central Board of Scientific and Industrial Research, New Delhi, I am directed

to say that the question of manufacture of chemicals required for the Match Industry is under consideration.

APPENDIX 132

Import of Aluminium Foils.

Letter No. 1119, *dated* 13*th May* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

Early in January this year the Government of India announced that they had decided to apply severe restrictions to the importation into India of aluminium in all forms from all countries including the United Kingdom. Thereafter imports of aluminium were to be allowed only on the basis of a licence granted by the Central Government. As in the case of all other articles the imports of which are under control, it was, however, expected that *bona fide* requirements of industry in the country in respect of the metal would be met by the grant of the necessary licence.

The Golden Tobacco Company of Bombay have placed before my Committee copies of correspondence that has passed between them and the Government of India in the matter of licence for importing aluminium foil required by them for use in the cigarette manufacturing industry. These foils, it may be explained, are used for the purpose of wrapping cigarettes so as to assist in the preservation of the quality of the cigarettes and as protection from moisture. Government, however, have turned down the application on the ground that "aluminium foil is not absolutely essential for wrapping cigarettes." My Committee are advised that the view taken by Government as above is open to question and that without such packing it will be very difficult, if not impossible, for marketing cigarettes.

It is, in this connection, pertinent to point out that packets of imported brands of cigarettes are continuing to come wrapped up in aluminium foils and it would, therefore, be placing an avoidable hardship on the indigenous industry and its com-

petitive capacity if Indian manufacturers are denied the facility of securing supplies of this wrapping medium.

Moreover, my Committee are given to understand that foreign cigarette factories established in the country are continuing to get their supplies of aluminium foils. If this information is correct, the position of the indigenous industry *vis-a-vis* foreign owned competitors established in the country will be accentuated.

My Committee, therefore, request that Government will be pleased to reconsider this matter and to grant the necessary licence for the Golden Tobacco Company for importing their requirements of aluminium foils for use in the cigarette industry.

Letter No. 375(3)-Tr.(I.T.C.)/41, dated 23rd June 1941, from Commerce Department, Government of India, Simla, to Chamber.

With reference to your letter No. 1119, dated the 13th May 1941, I am directed to say that the Government of India are not aware of any discrimination being made in the matter of importation of aluminium foil as between different manufacturers on racial or other grounds. Although certain quantities of foil were allowed to be imported in the past for purposes of wrapping cigarettes ordered by the Army in India and abroad, it has since been decided that this packing is not absolutely essential and imports of aluminium foil for this purpose should not be permitted. I am to add that so far as imported brands of cigarettes are concerned, the Bat group have changed over to the lead foil for wrapping cigarettes in United Kingdom factories and will no doubt do so in India and elsewhere as stocks of aluminium foil become exhausted. The Government of India, therefore, regret their inability to reconsider the matter and to grant a licence to Messrs. Golden Tobacco Company to import aluminium foil for wrapping cigarettes.

APPENDIX 133

Import of Cashewnuts.

Telegram, dated 3rd July 1941, from Chamber to Commerce Department, Government of India, Simla.

Reference previous correspondence Import Trade Control ending your letter No. 66-C.W., dated 30th July 1940, re : imports of cashewnuts from Portuguese East Africa you advised that restrictions did not contemplate total embargo. Recent Notification No. 52, issued by the Import Trade Controller, Bombay, includes Portuguese Territory as a difficult currency country and as such imports therefrom liable to severe restriction if not absolute embargo. Having regard to the special considerations governing the trade in cashewnuts referred to in my letter 18th July last, Committee request that embargo should not apply to cashewnuts and that licences should be freely granted as in the past.

Telegram, dated 19th July 1941, from Commerce Department, Government of India, Simla, to Chamber.

Your telegram instructions issued to Import Trade Controller to license raw cashewnuts to Portuguese East Africa.

APPENDIX 134

Essentiality Certificate for the Import of Electrical Equipment.

Letter No. 3029, dated 28th November 1941, from Chamber to Commerce Department, Government of India, New Delhi.

The Alembic Chemical Works Co. Ltd., who are members of our Chamber, have drawn the attention of my Committee to the correspondence that has passed between them and the Supply Department of the Government of India and the Director General of Munitions Production, Calcutta, in regard to their application for the grant of Essentiality Certificate for the importation of Switchgear components required

for the additional power plant acquired by them for the purpose of extending their factory and increasing their manufacturing capacity. The facts of the case are as under.

The Alembic Chemical Works Co. Ltd., as Government are aware, are manufacturing on a large scale chemical and pharmaceutical preparations and are also supplying them to Government Medical Stores, various Departments of the Government and to the public at large. They are also carrying on experiments for the manufacture in the country of a number of essential drugs and chemicals like Potassium Permanganate, Potash Chlorate, Hydrogen Peroxide, Chloroform, Tartaric Acid, etc. Even in normal times an industry of the kind in question is of sufficient national importance, but in an emergency like the present, on account of increased war time needs and the difficulties in securing adequate supplies from imported sources, the importance of preserving the existing manufacturing capacity of the factory as also of extending its scope and sphere of work cannot be overemphasised.

The existing power plant in the factory of the company being an old one, it was decided by the management, both as a standby in case of a possible break-down and to meet the additional requirement for power as a result of their extended and new activities, to acquire an additional generating plant. As a matter of fact, they have already secured such a plant from another industrial concern in the country at a cost of over Rs. 2 lakhs, including the cost of transporting the same to their factory site. The additional plant, however, requires a switch-board which the company propose to manufacture themselves, but certain electrical equipments such as ammeter, voltmeter, frequency meter, oil circuit breaker, etc., which form part of switch-board, are not available in India. They have got to be imported from Australia and Great Britain. The approximate estimated cost of all these parts is about Rs. 10,000. The manufacturers in England and Australia have already agreed to supply these parts, but they require an Essentiality Certificate issued by the Government of India to enable them to export the parts. Unless, therefore, such a

certificate is granted, the company will not be able to work their new plant and over and above their investment thereon being frozen, their primary object of increasing their manufacturing capacity and extending their scope of usefulness will be defeated.

Although the component parts required for the above purpose come under one unit, as they were to be supplied by two different firms, in order to avoid confusion, the company made separate applications to the Director General of Munitions Production, Licence Section, Calcutta, for the grant of an Essentiality Certificate (1) for parts as per details given on page 3 of the copy of the application form enclosed herewith* to be imported from the Asea Electric (Aust.) Pty. Ltd., Sydney, and the other for (2) a 100 KVAr Static Condenser and (3) a Triple Pole Circuit Breaker, to be imported from the Asea Electric Ltd., Fulbourne Road, Walthamstow, London, and the Metropolitan-Vickers Electric Co. Ltd., Trafford Park, Manchester, England, respectively. The application for the grant of the Essentiality Certificate were recommended by the Government of Baroda. Unfortunately, the Supply Department have turned down their applications on the ground "that none of the drugs prepared by the firm and used for essential services require the use of electric energy for their manufacture" (*vide* Supply Department letter Nos. E & I/1458, dated 3rd September 1941 and E & I/1458, dated 20th September 1941).

My Committee are surprised that the applications should have been turned down on such a ground. It is a matter of common knowledge that in these days all large scale manufacturing activities depend on electrical energy for motive power and when, as a matter of fact, the manufacturing processes are carried on by the use of electrical energy, it does not lie with the Supply Department to suggest that the use of electrical energy is not necessary for the manufacture of the drugs in question.

Since the commencement of the war my Committee have been pressing on the attention of the Government of India

* Not printed.

the desirability of enlarging the industrial capacity of the country and for trying to manufacture here some of those articles which are mainly supplied by imported sources. The need for such efforts is all the greater in the sphere of drugs and chemicals. It is, therefore, unfortunate that when an important manufacturing unit like the Alembic Chemical Works Co. Ltd., are trying to expand and improve their manufacturing capacity, Government should, instead of giving them every facility, come in their way by refusing to grant them the Essentiality Certificate necessary for strengthening their plant and machinery.

My Committee earnestly request that the Government of India will be pleased to give this matter their sympathetic consideration and to grant to the company the necessary certificates to enable them to import the electrical equipments under reference and consequently to increase and improve their manufacturing capacity. If, however, any difficulty is experienced in granting the Essentiality Certificate to import the parts in question from any part of the British Empire, the company may be allowed to import the same from the U. S. A., and the necessary priority certificate should be granted to enable such import.

Letter No. A(25)PRC/41, dated 23rd December 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

Please refer to your letter No. 3029, dated the 28th November 1941. The Government of India have again very carefully considered the several points you have mentioned in your letter under reference. They regret they are not in a position to recommend the grant of an essentiality certificate for the importation of Switchgear components, etc., from the United Kingdom and Australia. They are, however, prepared to consider granting of an import licence for importing the required machinery, etc., from the United States of America. I am, therefore, to suggest that you ask the Alembic Chemical Works Company, Limited, to apply with full details for the minimum machinery required from the United States of America, to the Chief Controller of Imports, New Delhi.

APPENDIX 135

Unlimited Licence Numbers of U. S. A.

Letter No. 1762, dated 24th July 1941, from Chamber to Commerce Department, Government of India, Simla.

I am directed to send to you herewith a copy of a circular issued by the British Purchasing Commission in the U. S. A. to all exporters advising them of the procedure in regard to the use of unlimited licence numbers. In terms thereof exports from that country to countries in the Empire other than those mentioned in the Notification will require prior release certificate with each shipment.

On a scrutiny of the list of countries, which are excepted from the above procedure, it is evident that India is perhaps the only important country in the Empire to which the restriction applies. Almost all the other important countries like Australia, Canada, New Zealand, Egypt, Union of South Africa, etc., are exempted from the requirement in regard to such certificates. It is unfortunate that India should have been singled out for being subjected to a restriction of the kind, the need for which cannot be readily appreciated. In this connection, it is pertinent to point out that imports into this country from the U. S. A. are subject to an Import Control exercised by the Government of India and as such imports will be permissible only on the basis of licences granted by the authorities here. It is, therefore, not understood why there should be a check again at the other end by the British Purchasing Commission. This procedure has led to unnecessary delay and my Committee have received complaints that execution of orders placed by Indian importers in America have been delayed on account of the formalities connected with the restriction imposed by the Commission.

My Commiteee, therefore, request that Government will be pleased to take up the matter with the British Purchasing Commission and to see that orders are issued exempting India also from the requirements in regard to prior release certificate. In the meanwhile, they urge that the Government of

India should immediately communicate to the British Purchasing Commission their approval in respect of orders or shipments awaiting prior release certificates.

Letter No. 378(150)-*I.T.C./41, dated 27th September* 1941, *from Commerce Department, Government of India, Simla, to Chamber.*

Your letter No. 1762, dated the 24th July 1941.

The differentiation to which you refer was not due to any discriminatory action by the British Purchasing Commission, but had its origin in certain specific Indian requirements of importation certificates before export from the United States of America was allowed.

2. The American Administration took the view that they could not undertake to issue one set of instructions for one commodity and another for the remainder. Exports to India, therefore, had to follow the policy of prior release certificates.

3. The Government are at present examining whether some simplification of the system cannot be secured in view of recent developments.

Letter No. 378(150)*I.T.C./41, dated 28th November* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 1762, dated the 24th July 1941, I am directed to say that the Government of India regret the delay in replying to your letter. Information about the export of articles from the United States of America is obscure and all that can be said at this stage is, if any importer finds difficulty in getting their orders executed they may have to be justified by Government of India, supporting the importer's request that his order be coupled with. For this purpose the Government of India require full details of the orders, and any importer who finds himself in difficulty will be well advised to approach the Government of India in the Commerce Department in the matter.

APPENDIX 136

Import of Goods from U. S. A. and other Neutral Countries on Consignment Basis.

Letter No. 2180, dated 2nd September 1941, from Chamber to Department of Commerce, Government of India, Simla.

I am directed by my Committee to address Government with regard to the avoidable difficulties which the trade in this country is suffering on account of the restrictions placed on imports from U. S. A. and other neutral countries not in the sterling block specially with a view to preserve the Dollar Exchange. While my Committee do not want to embarass Government on the point of Dollar Exchange being made available for importing goods which may as well be replaced by indigenous manufactured goods, they beg to place before Government for their consideration, the question of permission to import goods from U. S. A. and other neutral countries not in the sterling block purely on consignment basis. If the exporters in the foreign countries should agree to sell their manufactured articles for importation into India on consignment basis and should also agree to the payment for the same being made only after the war or when Government themselves should permit such payment being made, the question of the availability of the Dollar Exchange would not arise. My Committee request Government to give their serious consideration to this question of importation of foreign manufactured goods purely on consignment basis as thereby they would, in some measure, be helping to ease the situation in respect of necessary imports which is today greatly disturbing the economy of the country. If this suggestion is accepted, it may lead to more revenue being collected by way of import duty which is being lost on account of the restricted imports. My Committee feel that their suggestion is well worth taking up in general public interests as also in the interests of the trade and they beg to urge that Government will be pleased to permit import of goods from U. S. A. and other neutral countries not in the sterling block purely on consignment basis.

Letter No. 368(133)-I.T.C./41, dated 30th September 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2180, dated the 2nd September 1941, I am directed to say that the Government of India regret that they cannot agree to your suggestion that importation of foreign manufactured goods may be allowed purely on consignment basis, the payment for the same being made only after the war.

APPENDIX 137

Relaxation in Embargo on Foodstuffs imported from U. S. A.

Letter No. 2214, dated 8th September 1941, from Chamber to Commerce Department, Government of India, Simla.

Since some time past the import of provision and oilman-stores has been stopped. My Committee are given to understand by the business people concerned that the total stoppage of the provision stuff from U. S. A., which at present is the premier country supplying this kind of foodstuffs of quality, packed and exported by well-known makers like S. & W., Libby, Heinz, Kelloggs and others, has greatly inconvenienced the importers as well as the consuming public. While the merchants concerned with this trade realise and appreciate the exigencies of the war and the desirability of the curtailment of the import from the countries outside the sterling bloc, they feel that some relaxation is necessary as regards the embargo on foodstuffs is concerned. My Committee are informed that the Colonial Government in Singapore and Federated Malaya States, for instance, have introduced a quota system and all kinds of goods are being allowed to enter there, though on a restricted basis. My Committee beg to request the Government of India to be pleased to remove the restrictions as far as possible and introduce a quota system under which importing merchants may be allowed to import on the basis of their imports for the years ending March 1940 and March 1941. It is hoped that looking to the necessities

of this trade as also of the consuming public Government will be pleased to accept this suggestion.

Letter No. 383(6)-I.T.C./41, dated 3rd October 1941, from Commerce Department, Government of India, Simla, to Chamber.

With reference to your letter No. 2214, dated the 8th September 1941, I am directed to say that the Government of India have considered the matter but regret that they do not see their way to relaxing the Import Trade Control Regulations in the manner suggested by you.

APPENDIX 138

Inaccurate Stamping of Indian Piecegoods for Export Markets.

Letter No. 16928-C.I.A., dated 25th December 1941, from the Director-General, Commercial Intelligence and Statistics, Calcutta, to Chamber.

It has been reported to the Indian Government Trade Commissioner, Mombasa, by the Customs authorities in Kenya and Uganda and the Indian Merchants' Chamber in Mombasa that Indian manufacturers and exporters of piecegoods stamp inaccurate dimensions on the cloth imported from India into East Africa and that in many instances among recent consignments from India the width has been under-declared by one or two inches and the length by one or two feet. Such under-declarations constitute an offence against the Customs laws of that country, and in the cases referred to minor penalties have been imposed on the importers for making wrong declarations. These declarations were made by the importers according to the invoices they had received from shippers in India and presumably those invoices were made out according to the dimensions stamped on the cloth by the manufacturers. The situation is reported to be very serious and it is feared that, unless the present position is rectified, heavier penalties will be imposed by the Customs authorities to meet the requirements of the law.

2. Another complaint that has been made to the Indian Government Trade Commissioner by the Customs authorities and the Chamber mentioned above is regarding the unsatisfactory external marking of bales and packages from India. The consignments of goods mainly relate to piecegoods and clothing. The indecipherable external markings on the packages and bales, which are apparently due to a complete disregard on the part of shippers in India of the Port rules at destination, result in delay in clearing the goods from the Port Warehouses and involve not only waste of time but unnecessary warehouse charges. Unless a considerable improvement is shown in this respect in regard to future arrivals, the Port authorities and the Customs authorities threaten to take action under the Harbour Regulations, which are as follows :—

"(i) Each Bale or Package must have external distinguishing marks and numbers written clearly *in English*. All old marks or writings on the wrapper must be obliterated.

(ii) The invoices must show corresponding marks and numbers.

(iii) The invoices must show the gross weight of each bale or package separately.

(iv) The High Commissioner will not be liable for any loss, delay, or non-delivery of goods occasioned by insufficient or erroneous marking.

(v) When goods are insufficiently or erroneously marked, the High Commissioner, notwithstanding that all dues and charges shall have been deposited or paid, may require from any person claiming such goods a special release order, signed by the ship's agent, or an indemnification against any loss or damage the High Commissioner may sustain by reason of the delivery to such person. The ordinary rent shall be charged against all goods remaining on the harbour premises in consequence of such insufficient or erroneous marking."

It has been suggested by the Customs authorities in this connection that the bales and packages should have sewn on to them a new piece of canvas in the form of a label bearing clear and distinctive marks rather than that the marks be merely painted on old packages.

3. The above facts are brought to your notice with the request that you will kindly inform the manufacturers and shippers of the situation that has arisen and take such action as you may think necessary with a view to putting a stop to the practices complained of. You will no doubt appreciate that if these practices are not discontinued forthwith, the consequences to India's export trade with East Africa are likely to be most serious, and I, therefore, hope that you will take all possible steps to ensure that the Customs authorities in East Africa will have no further cause for complaint on this score.

Letter No. 358, *dated* 12*th February* 1941, *from Chamber to the Director-General, Commercial Intelligence and Statistics, Calcutta.*

I beg to acknowledge receipt of your letter 16914-CIA of the 25th December 1940, on the above subject and in reply to say that the contents of the same have been brought to the notice of the members of the Chamber.

APPENDIX 139

Export Licence for Cotton Manufactured Goods.

Letter No. 3101, *dated* 5*th December* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

The attention of my Committee has been drawn to the practical difficulties experienced by exporters in the matter of conforming to the requirements of the orders governing the export of cotton manufactures. Export of such manufactures of all kinds and to all destinations has to be licensed by the Export Trade Controller. It is laid down that application

for permission to ship such goods during any month should be submitted to the Export Trade Controller so as to reach his office not later than the 20th of the preceding month. Licences will be granted for one month and will be valid only for the duration of that month. If for any reason either the whole or part of the goods licensed for shipment during a particular month is not shipped during that month, it will be necessary for shippers to apply again and to obtain a licence for shipment during the following month.

As Government are aware there is considerable disorganisation in sea transport these days on account of war conditions and as such it is difficult for exporters to know sufficiently in advance and precisely the dates of sailings or the shipping space that they may ultimately succeed in getting. As it happens, under the existing regulations, if after securing a licence for a particular month, an exporter does not succeed in his efforts to get the necessary freight space or gets only part space, the licence, being valid only for one month, lapses and he has to apply for a fresh licence. During the next month also he cannot, with confidence, proceed to book the necessary shipping space as there is no certainty that the licence will be granted as a matter of course.

In the interests of preserving and developing the export market in cotton manufactures, my Committee would ordinarily have suggested that the restriction in question should be abolished and that export should be freely allowed. If, however, Government, from considerations of economic warfare, consider the control inevitable, my Committee strongly feel that the procedure should be modified so as to make the licences issued valid for two months. If this is done, some of the difficulties mentioned above will be met and after getting the licence the exporter concerned will have a period of two months within which to try to ship his goods either in one lot or in parts.

My Committee hope that Government will be pleased to consider the above suggestion and revise the orders so as to permit licences valid for a period of two months being issued.

Letter No. 91-C.W.(6)/41, *dated 20th December* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 3101, dated the 5th December 1941, I am directed to say that while Government are unable to accede to your general request that export licences should be granted valid for two months and not one month, they have already issued instruction to Export Trade Controllers to extend at their discretion, the validity of licences granted by them by a reasonable period in cases of genuine hardship.

APPENDIX 140

Export of Cotton Yarn to Turkey.

Letter No. 893, *dated* 15*th April* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

India had in the past a good export trade in cotton yarn with Turkey, but due to various factors, one of them being restrictions on exchange placed by the Turkish Government, the trade gradually diminished and the market was almost closed to us. After the recent Trade Agreement between Great Britain and Turkey, it appears that there are possibilities of reviving this trade and that, as a matter of fact, Indian merchants are receiving a good number of enquiries for Indian cotton yarn.

At present, however, exports from India are controlled and my Committee are informed that the Export Trade Controller is not permitting exports of Yarn to Turkey. My Committee are aware that considerations of economic warfare render it necessary that exports which are likely to reach belligerent countries through neutral sources should be guarded against ; but in the case of Turkey, they are informed that the buyers at the other end are prepared to obtain a certified declaration from the British Consul General that the yarn will only be consumed in Turkey. They are further prepared to

arrange the necessary finance for making payments towards the cost of such shipments through London. With these safeguards, my Committee feel that it should be possible to permit the export of Indian yarn to that country.

At present, when the question of stimulating our export trade and finding fresh markets is engaging the serious attention of Government, the opportunity presented by such enquiries from overseas importers should be taken advantage of and early arrangements made to provide the necessary facility for securing export markets for Indian yarn.

APPENDIX 141

Export of Indian Piecegoods to Penang.

Letter No. 2327, dated 16th September 1941, from Chamber to Commerce Department, Government of India, Simla.

The Committee of this Chamber have received a complaint from some merchants that they experience difficulties in getting the necessary licences for importing Indian piecegoods in Penang. Penang is one of the places which offer a very good ready market for goods produced by Indian mills. Both the Government of India and the Indian millowners are at present in search of new markets for Indian goods to replace the markets which have been lost owing to exigencies of the war. It is but meet and proper, therefore, that the goods from this country should be allowed to be sent up to Penang with as little restriction or hindrance as possible. My Committee beg to request the Government of India to be pleased, therefore, to allow exports of Indian goods to Penang without any restrictions and if there is any licence required for the purpose such licences should be granted freely. If the difficulties are from the Government of that country, the Government of India can use their good offices to get such difficulties removed.

APPENDIX 142

Export or Re-export of Raw Silk and Artificial Silk Yarn from India.

Letter No. 2740, dated 30th October 1941, from Chamber to Commerce Department, Government of India, New Delhi.

Consequent upon the recent developments regarding Indo-Japanese relations, fresh imports either of silk or artificial silk yarn would not be possible from that country, and Indian weaving industry is, therefore, likely to suffer from a shortage of supplies of its essential raw materials, viz., raw silk and artificial silk yarn. It is necessary that the available supply of silk and art silk in the country should be conserved for the use of the Indian industry. My Committee have received information that of late there have been enquiries from some foreign countries for the purchase of these materials. It is feared that if the silk and/or art silk stocks in India are allowed to be exported or re-exported, the difficulties of the Indian industry in the matter of supplies of the raw materials will be accentuated. It is, therefore, necessary that the Indian industry should get the available supplies of these materials, and, in order to prevent either their export or re-export to foreign countries, Government should prohibit such exports.

Letter No. 65-C.W.(70)/41, dated 18th November 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 2740, dated 30th October 1941, I am directed to say that the Government of India have already taken the necessary action in the matter.

APPENDIX 143

Disabilities of Wool Trade.

Letter No. 65, dated 11th January 1941, from Chamber to Commerce Department, Government of India, New Delhi.

The Buyers' and Shippers' Chamber, Karachi, has forwarded to my Committee copies of their letter Nos. GC-6/393

and GC-6/395, dated the 18th December 1940, the first in regard to the difficulties under the quota system for export of wool to America, and the second in regard to the objectionable feature of the arbitration clause in the terms of contract for wool purchases on behalf of Government through Messrs. Ralli Bros., Ltd.

The existing arrangement for the purchase of Indian wool and for the export thereof to America has not worked satisfactorily. Complaints in this regard were made at the last meeting of the Export Advisory Council and it was understood that Government had promised to go through the question. My Committee feel that there is considerable force in the case put forward by the Buyers' and Shippers' Chamber. The present practice of the stocks being sent over to Liverpool on consignment basis and consequently Indian wool being sold at cheaper rates, should be changed, and His Majesty's Government should arrange to make their purchases in India paying for the same here and any surplus not required for Governmental purposes should be allowed to be exported free to America or other countries, there being no control exercised in regard to the prices of such exports.

My Committee also agree that the procedure in regard to the settlement of disputes by arbitration prescribed in the Contract Form of Messrs. Ralli Bros., for their purchase of wool as Agents of Government, is extremely unsatisfactory. There is no justification for the requirement that the arbitrators should be European merchants and should be members of the Karachi Chamber of Commerce. It is unfortunate that such a clause should have found a place in the Contract Form, particularly so when the contract is entered into on behalf of the Government of India. My Committee urge that the clause in question should be immediately revised on the lines suggested by the Buyers' and Shippers' Chamber.

My Committee hope that Government will be pleased to give the above matter their immediate consideration.

APPENDIX 144

Licences for Export of Oilseeds.

Letter No. 168, *dated* 23*rd January* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

The attention of my Committee has been drawn to the arrangements in connection with the distribution of orders for oilseeds and oilcakes on behalf of the British Ministry of Food. It appears that all such orders are placed through the East Indian Grain and Oilseeds Shippers' Association, London. The Association allocates the orders of the Ministry of Food according to the quotas of the shippers arranged on the basis of shipments of the previous three years.

According to the information placed before my Committee, it is understood that the quotas are being fixed in London by the Association on the basis of business done in the previous years in London or through London Houses for shipments to U. K. or for Continental ports, i.e., in calculating the quota, shipments which have passed through London and London Houses and of which there is a record in the London Custom House, are mainly taken into consideration. If this information is correct, it is pertinent to point out that Indian exporters had direct connections with consumers at Hamburg, at Rotterdam, at Marseilles, at Genoa, etc., for a number of years. Such business, as it does not pass through London or London Houses, would not find any place in the records that may be available at the U. K. end. In fact, Indian shippers had in the past themselves chartered steamers for groundnuts and linseed direct for Continental ports and it would not be fair to exclude or not to take into account all such figures of exports in fixing the quota.

The proper procedure for purposes of fixing the quota would be to calculate the same on the basis of shipments made from India, i.e., on the basis of the figures of exports which may be procured and verified from the records of the Custom Houses in this country. Otherwise, an injustice would be done to established shippers and exporters in the country.

Already it has been pointed out to my Committee that some of the merchants in London who get the quota from the East Indian Grain and Oilseeds Shippers' Association under the existing arrangement, are placing their business with new shippers at this end at rates lower than that fixed by the Ministry of Food, thus cutting out the established exporters and shippers from their legitimate business.

My Committee hope that Government will be pleased to consider the above matter and to bring about an arrangement under which the quota for exports will be based on the figures of exports from India.

Letter No. 86-C.W.(2)/41, *dated 4th February* 1941, *from Commerce Department, Government of India, New Delhi, to Chamber.*

With reference to your letter No. 168, dated the 23rd January 1941, on the above subject, I am directed to say that the selection of firms through whom orders should be placed for purchase of oilseeds from India is entirely a matter for decision by His Majesty's Government and the Government of India regret that they are unable to interfere in the matter.

Letter No. 395, *dated 14th February* 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

I am directed to acknowledge receipt of your letter No. 86-CW(2)/41, dated 4th February 1941, on the above subject.

My Committee realise that the selection of firms through whom orders should be placed for purchases of oilseeds from India is entirely a matter for decision by His Majesty's Government ; but they cannot agree that the Government of India are helpless in the matter. In fact, the people of this country naturally look to the Government of India for relief and protection ; and my Committee feel sure that the Government of India can plead their case very well before His Majesty's Government. What has happened, with regard to this question is that only a few firms are given orders for purchase of oilseeds from this country by His Majesty's Government, and they have practically become monopolists in

this connection. The result is that the market for groundnuts has gone down, which is not in the interests of the agriculturists. It is in the interests of Indian agriculturists that Government should place their orders with a larger number of firms, amongst whom there must be several Indian firms.

My Committee, therefore, request under the circumstances that the Government of India will be pleased to reconsider this matter and in the interests of the Indian agriculturists and of the Indian interests in the export trade, will take up the matter with His Majesty's Government with a view to the purchases on behalf of Government being distributed among all Indian exporters on the basis of the share of the trade enjoyed by such exporters in the previous years as was stressed in my letter No. 168 of the 23rd January 1941. In calculating such shares, account must, no doubt, be taken of the business such exporters had done directly with Continental ports in the past.

Letter No. 86-C.W.(2)/41, *dated 3rd September* 1941, *from Commerce Department, Government of India, Simla, to Chamber.*

With reference to the correspondence resting with your letter No. 395, dated the 14th February 1941, I am directed to forward a copy of a Memorandum on the above subject prepared by the Indian Oilseed Shippers' Association of London. It will be seen from this Memorandum that the quotas allocated to different shippers are based on the quantities exported by each shipper to all destinations during the three years ending May 1939. Any shipper who considers that his quota has not been correctly made out should represent the position to the Association, the full address of which is given below, preferably through the London Agent through whom his sales are made.

The East Indian Grain and Oilseeds Shippers'
Association of London,
Baltic Exchange Chambers,
28, St. Mary Axe, London E.C.3.

MEMORANDUM

The broad principle, on which the quotas have been fixed, has been to allot to each shipper a percentage based on the quantities exported by him to all destinations during the three years preceding the outbreak of war (actually three years ending May 1939).

2. Where the exporter in India and his representative selling on this side are one and the same firm, the position, of course, was perfectly simple as also in cases where the firms, shipping from India, have had one recognised and exclusive representative in London doing the selling for them.

3. In cases where the Indian shippers have in the past sold through various representatives, or where they have changed their representative from time to time, the Committee of the Association have endeavoured as much as possible to apportion the total quota the shipper was entitled to claim on his pre-war performance, amongst the various representatives pro rata to the quantities sold through each of them.

4. In the circumstances if a shipper considers that he has not been getting the full share to which he is entitled, his remedy would be to supply the Association with full particulars (i.e. quantities, shipment, port of destination, contract on which sold) of the quantities exported by him during the period above mentioned, (viz. 3 years ending May 1939) and then let the Association know whom he has now appointed his representative in London or if he intends working through more than one Agent to indicate what proportion of his total business he wishes to do through each Agent. The appointment of one exclusive Agent would, of course, simplify matters.

5. I might add to the foregoing explanations that where the same London agent has been representing several Indian shippers, the quota allotted to that Agent has been based on the aggregate quantity exported by those various shippers

and it has been assumed that an Agent thus situated would distribute the aggregate quantity allotted to him in the right proportion, should he fail to do so, it is always open to the party who considers it has not had a fair deal to make other arrangements and in such cases it is advisable that the Association should be directly informed of the change of representation so that, if necessary, an adjustment of the quota figures can be made accordingly.

6. A special Sub-Committee of the Association on which the correspondents of the Indian shippers are fully represented, has, ever since the quota scheme was put in force, made it a point to see that the allotment was made on a strictly fair basis and this Committee has at all times been prepared to examine cases in which a particular shipper considered he had a grievance ; the fact that the scheme has now stood the test during about 18 months' working without any serious complaints having been put forward is a proof that the allotment as made has on the whole been a fair one to all concerned.

APPENDIX 145

Export of Linseed Oil to Newzealand.

Letter No. 397A, dated 14th February 1941, *from Chamber to Commerce Department, Government of India, New Delhi.*

My Committee are informed that the New Zealand Government authorities not granting licences for the import into that country of Indian linseed oil with the result that Indian merchants and crushers are not able to do any export trade in linseed oil with that country. My Committee would like to know if Government have information as to the circumstances under which it has been thought fit by the New Zealand Government authorities to restrict such imports and whether Government have full details of the licensing scheme in question. If proper representations are made by the Government of India to the New Zealand Government authorities,

it is possible that permission may be given to import Indian linseed oil into that country.

My Committee request that Government will be pleased to examine this question and to advise them regarding the exact position and also to take steps with a view to permission being secured from the New Zealand Government for exports of linseed oil from India to that country.

Letter No. 4-C(2)/41, dated 16th October 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

In continuation of the letter, from this Department, No. 4-C(2)/41, dated the 4th March 1941, I am directed to say that the Government of India have learnt that the New Zealand Government have decided that importers of linseed oil who have been granted licences to import such oil from the United Kingdom may utilise such licences for imports from Australia or India at their discretion.

APPENDIX 146

Control on Export of Metal Containers.

Letter No. 2744, dated 31st October 1941, from Chamber to the Director-General of Munitions Productions, Calcutta.

With reference to the correspondence ending with your telegram, dated the 17th instant, the Committee of this Chamber are afraid that Government have not, perhaps, realised the extreme gravity of the situation with regard to containers. My Committee are sure that Government are as much anxious as the commercial community that the export trade of the country should go on, as a large portion of the exports now goes to help the war operations. Oils like linseed oil, groundnut oil, cotton seed oil, and castor oil, are all required for the war operations and our exporters have got orders for sending them to foreign countries, including the United Kingdom. They naturally require containers for all

these purposes and instances are known where they are stranded because of the difficulty in the way of their getting containers. Under the circumstances, my Committee have to request you to be pleased to remove the control from the containers, which, it is feared, will stop all export trade.

Telegram, dated 28th November 1941, from Chamber to Commerce Member and Supply Member, Government of India, New Delhi.

Committee Indian Merchants' Chamber wish to draw your attention to serious situation arising out of Export Control of metal containers. Government will appreciate that it is impossible to export liquid products like oil without containers and applications to Director-General of Munitions Production for licences are long since pending and in the meanwhile uncertainty about receipt of licences is upsetting arrangements for current shipments. Shipping space secured at considerable difficulty cannot be availed of on account of delay in receipt of licences. Even shipments covered by Essentiality Certificate from Government of importing country not being provided with immediate licence. Understand that in many cases containers used for export are second-hand ones of foreign make and such containers may not be useful for any other purpose. Request in the interest of preserving export trade in liquid articles that Export Control on containers be withdrawn or so modified as to make it practicable. If control considered inevitable suggest arrangements be made to issue licences in Bombay.

Letter No. Dy. 3009/-WIII, dated 2nd December 1941, from Supply Department, Government of India, New Delhi, to Chamber.

I am directed to acknowledge the receipt of your telegram dated the 28th November 1941, on the above subject and to say that it is being forwarded to the Commerce Department of the Government of India, New Delhi, for appropriate action. Further correspondence in this matter should be addressed to that Department.

APPENDIX 147

Restriction on Exports of Brass-ware.

Letter No. 1100, *dated 8th May* 1941, *from Chamber to Commerce Department, Government of India, Simla.*

Recently the Government of India extended the scope of the Export Control to brass and brass-ware also, thereby prohibiting the export by land or sea of brass goods except under an export licence issued by the Central Government in the Department of Supply. Messrs. Hiranand Valiram, Bombay, who are an established firm of exporters of Indian curios and articles of Indian art, had recently applied to the Department of Supply for the necessary licences for exporting enamelled brass-ware to various countries in execution of orders received by them previously. The Director-General of Munitions Production, Calcutta, has, however, informed them that the licences in question could not be issued.

My Committee realise that the restriction on exports of brass has been imposed guided by considerations of economic warfare and that in the case of metals particularly the necessity for guarding against such exports either depleting Indian stocks or reaching enemy sources, is imperative. The brass-ware in question, however, are in the nature of articles of art and curios and should not be looked upon as mere metal. As Government are aware these enamelled works of art find a market in different parts of the world and Indian exporters have established for themselves a trade in this line. Moreover, my Committee are given to understand that recently other exporters in Bombay have been granted permission to export and that so far as the article in question is concerned anything in the nature of an absolute embargo is not intended by Government.

Government will be pleased to look into this matter and if the information that other exporters had been given the necessary licence is correct, arrangements may please be made to give the licences to Messrs. Hiranand Valiram, Bombay.

A copy of this letter is being sent to the Government of India in the Supply Department.

APPENDIX 148

Export of Rice from Burma.

Telegram, dated 17th September 1941, from Chamber to Commerce Department, Government of India, Simla.

Committee Indian Merchants' Chamber view with serious concern recent announcement of Government of Burma that they will control rice crop of next year by themselves becoming sole exporter of rice from Burma. Although full details of their scheme are not available, it is evident that if Government of Burma themselves become sole exporter of rice, it will result in driving away Indian rice merchants from rice trade between India and Burma which they have built up with considerable sacrifice and may have to close their trade. Committee would, therefore, strongly urge upon Government of India necessity of getting the whole position clarified by requesting Government of Burma to state what their real intentions are and to take prompt and effective steps to protect and safeguard the position of Indian rice merchants in the rice trade between India and Burma and to get assurance from Government of Burma that they would fully consult the interests of the trade in any scheme that they will lay down for control and that no steps would be taken by that Government which would in any way jeopardise the position of Indian rice merchants in this large trade extending over fifteen crores of rupees a year built up between Burma and India by Indian nationals by their efforts of decades past.

APPENDIX 149

Commandeering of Steel Stocks.

Letter No. 1462, dated 27th June 1941, from Chamber to Supply Department, Government of India, Simla.

The Iron Merchants' Association, which is affiliated to this Chamber, has drawn the attention of my Committee to

certain circumstances connected with the commandeering of steel stocks belonging to certain iron merchants in Bombay. On or about 10th May 1941 the Controller of Supplies, Bombay Circle, by virtue of the powers vested in him under the Defence of India Rules, called for information from the merchants concerned about stocks of specified items of steel and steel materials and at the same time prohibited the sale or disposal otherwise of such stocks without his previous permission.

Subsequently, orders were served on the said merchants to reserve specified portion of the stocks for Government use as war supply. This order of requisition of the stocks in question further provided that the articles so taken over for Governmental purposes would be paid for on the basis of the current price list of the Tata Iron & Steel Co. Ltd., Bombay, on the date of such requisition.

My Committee realise that war supplies should have a prior claim on available stocks of an essential article like steel and it is not their purpose nor their intention to take any objection to the action taken in requisitioning the articles in question. At the same time, Government themselves will admit that the owners of such stocks should be compensated and paid for on a basis which would be deemed fair and equitable. Government, however, "has determined that the prices which shall be paid to the owners shall be Messrs. Tata Iron & Steel Company's current Bombay prices for the said articles on the date of the requisition." It has been pointed out to my Committee that this basis is extremely unfair. In the first place, my Committee are informed, the quotations of prices by the Tatas now-a-days are merely nominal, for, the said company have for a long time ceased to book any business on behalf of their Bombay dealers and have also suspended deliveries of orders already booked and accepted by them. Even the dealers of the Tata Iron & Steel Company have, from time to time, bought goods from sources other than the Tatas, viz., from the Mysore Iron & Steel Company and also in the open market at various business centres in India. The ruling prices of iron and steel materials are consi-

derably in excess of the scheduled prices of the Tatas which, as has already been pointed out, are merely nominal, no business being done at such prices. This is emphasised by the fact that the Tatas have been selling, from time to time, my Committee understand, what they term as "defective materials" by open tender and the prices realised for such materials are considerably higher than their scheduled prices for the coresponding finished materials. This information about the prices obtained by the Tatas for such defective materials can be ascertained by Government so that Government can satisfy themselves that the price lists in question have no relation to the actual prices at which they sell goods or to the prices current in the market.

It is pertinent further to point out that the Indian Stores Department have been buying steel materials in the open market at the current ruling prices and it would be obvious if these figures of prices are compared, that the prices actually paid are much higher than the listed prices according to the Tata Company's schedule.

Information about the current prevailing prices can also be obtained from the daily quotations appearing in the market report columns of the newspapers.

Moreover, the Tata Company's listed prices are for goods F.O.R. Bombay, cost of transport and handling the materials from the Goods Yard to the Stock Yard and the costs of the present transport of the goods from the merchant's godown to the Tata Company's stock yard at Wadi Bunder, where the goods have been ordered to be delivered, are all extra items of expenditure for which no provision has been made in the order.

My Committee, therefore, submit that it is but fair that Government in acquiring the goods in question should make payment to the owners concerned at fair market prices prevailing on the date of the requisition, after adding to such prices the extra delivery costs to destination. My Committee hope that this will receive the earnest consideration of Government and that no injustice will be done to the merchants concerned.

While on this, my Committee would also like to point out that the original order, prohibiting the sale or disposal of the stocks of enumerated items still stands, Government having requisitioned only such articles or portions which they have deemed necessary for their requirements. The balance of the stocks are lying frozen and have not been released from the Government order. It is also not certain whether Government propose to buy them at a later date. The money, representing the cost of such stocks, is thus locked up and cannot be used for trade purposes. It is necessary that Government should come to final decisions in regard to such stocks so that merchants may be relieved of the element of uncertainty at present prevailing and so that they may be enabled to dispose of the portion of stocks not required by Government. Early action in this regard is also requested.

A copy of this letter is being sent to the Department of Commerce, Government of India.

APPENDIX 150

Import Control of Steel.

Letter No. 892, dated 15th April 1941, from Chamber to Department of Commerce, Government of India, New Delhi.

My Committee had in their letter No. 439, dated 25th February 1941, suggested the desirability of appointing an Import Controller for Steel in Bombay so as to expedite decisions on matters connected with the control scheme. Government in their reply No. 368(23-TR)/ITC/41, dated the 27th March observed that they were not satisfied that the appointment of such a Controller was necessary at this stage.

If Government cannot see their way to appoint an Import Trade Controller in Bombay at present, my Committee would like to make a suggestion which would partly obviate the difficulty inherent in the present system of receiving applications and issuing licences for all ports from Calcutta. My Committee understand that Government have introduced a

system of issuing Import Steel Certificates ; applicants for licences are in the first instance given such certificates, with instructions to forward them to America and to apply again to Government for the necessary licence when the goods are shipped or shipping advice is received. In the case of consignments or goods for which such certificates have already been issued, the grant of a pucca licence at a subsequent date will be a mere matter of formality. Under the existing arrangements, however, the licences corresponding to the preliminary certificates are to be obtained from the office of the Controller in Calcutta. Having regard to the fact that the grant of the first import certificate is in the nature of an authorisation to import, it will greatly facilitate matters if arrangements are made to issue the formal licence in Bombay itself. The introduction of such a procedure will not interfere in the working of the control scheme, as when granting the preliminary certificate the Controller would have satisfied himself in regard to all the requirements under the scheme.

My Committee hope that Government will be pleased to accept the above suggestion and to make arrangements for the issue of the final licences in Bombay.

Letter No. 368(23)-Tr.(I.T.C.)/41, dated 27th August 1941, from Commerce Department, Government of India, New Delhi, to Chamber.

With reference to your letter No. 892, dated the 15th April 1941, I am directed to say that the issue of import licences for iron and steel at the various ports as suggested by you would not facilitate the application of certain checks necessary under the Steel Control scheme. The Government of India, therefore, regret their inability to accept your suggestion.

2. I am to add that import certificates are issued to firms in order to enable them to place orders in the United States of America and the certificates contain all the particulars necessary for applying for a licence. The firms should make their applications for import licences as soon as they receive

intimation of shipment of the goods, which is usually by cable, and no difficulty or inconvenience will then arise. In the few cases in which the intimation is received along with the arrival of the goods, telegraphic instructions are issued to the Customs authorities to release material as soon as the applications for licences are received in the office of the Steel Import Controller.

APPENDIX 151

Control of Iron and Steel.

Telegram, dated 18th September 1941, from Chamber to Supply Department, Government of India, Simla.

Committee Indian Merchants' Chamber support representation submitted to Honourable Member for Supply at Bombay by All-India Iron and Hardware Merchants' Conference and hope that a satisfactory solution will be found to relieve trade of its difficulties and handicaps as condition of the trade otherwise would be hopelessly involved without any corresponding advantage to Government.

APPENDIX 152

Import of Steel Baling Hoops.

Letter No. 1299, dated 5th June 1941, from Chamber to Commerce Department, Government of India, Simla.

India is completely dependent on imported sources for supplies of baling hoops which are mainly used for the purpose of bailing cotton. At present the two countries from which supplies of this article may be possible are the U. S. A. and Japan. With the recent institution of the import control of steel, imports from America are restricted and are permitted only on the basis of a licence. Imports from Japan, however, are allowed free.

My Committee have received complaints that applications made by importers to the Steel Controller at Calcutta for the

grant of licences for importing these hoops are pending for a long time and that, therefore, in the absence of necessary licences importers are not able either to book orders confidently or to obtain shipments of supplies of hoops. As, on the other hand, imports from Japan are free, there is a premium in price for Japanese hoops. It would further appear that there is almost a monopoly for the import or sale of Japanese hoops, as manufacture of the article is almost confined to one works in Japan and the output of the works in question is sold through the agency of Japanese importers in this country.

The above state of affairs has created an unsatisfactory position and unless permission is granted without delay to import hoops from America, importers and dealers of hoops on the one hand and the users of the hoops on the other will be put to considerable inconvenience.

In the marketing of cotton, the hoops are an essential item, as without being properly baled and packed raw cotton cannot be handled or marketed satisfactorily. My Committee understand that the importance of ensuring adequate supplies of hoops for the requirements of the cotton trade has been stressed before Government by the Indian Central Cotton Committee. They are mentioning this aspect of the matter so as to impress upon Government that if arrangements are not made to provide supplies of hoops, even the agriculturists in the country will be affected.

Merchants further fear that if there is delay in booking or placing orders with American sources of supply the stocks at present available may be exhausted and there is a danger of Indian importers not being able to get adequate supplies. It is, therefore, necessary that applications for licences for the imports of hoops should be granted without delay.

My Committee are sending a copy of this letter to the Steel Controller, Calcutta.

Letter No. 372 (14)-I.T.C./41, dated 26th August 1941, from Commerce Department, Government of India, Simla, to Chamber.

With reference to your letter No. 1299, dated the 5th June 1941, I am directed to say that the Government of India have been informed that no avoidable delay occurs in the office of the Steel Import Controller in India in disposing of application for licences but that the difficulty of meeting the supply in U. S. A. presumably causes delay in obtaining the required amount of baling hoops.

2. I am to add that since the imposition of import control on steel on 1st January 1941, the Steel Import Controller has issued (i) import licences for about 2,500 tons of all classes of hoops and strips in respect of orders placed in America before 1st January 1941 and (ii) Steel Importation Certificates for about 6,850 tons of all classes of hoops and strips in respect of new orders placed after that date, and that the information at the disposal of the Government of India tends to show that imports during 1940-41 of hoops and strips have exceeded the average during the preceding ten years.

V. GENERAL

APPENDIX 153

Riots in Bombay.

Letter No. 1013, *dated 26th April* 1941, *from Chamber to His Excellency the Governor of Bombay.*

The commercial community of this City has been very greatly perturbed over the events which have happened during the last few days. The serious trouble which arose in Ahmedabad and led to such a terrible loss in property and life, had its repercussions in this City when some stabbing incidents took place. It was thought that the trouble ended two or three days back. At the same time, there was a grave apprehension in the minds of several people in the City of a recrudescence of the trouble on Friday, and that apprehension came true. It is deeply regretted that though the authorities must have known about this public apprehension regarding the likelihood of the trouble restarting on Friday no effective steps were taken to prevent it. There was again a grave loss of life yesterday and there were attempts at incendiarism also. My Committee appreciate that Your Excellency has given a very grave and serious warning to the rioters that severe steps would be taken in case of the continuance of these riots. I, at the same time, feel it my duty to apprise Your Excellency of the sentiments and feelings of the commercial community, and venture to make a few suggestions, so that further trouble may be averted :—

1. All bad characters of the City should be rounded up with as much dispatch as possible, and even the method adopted in 1929 of combing the City of bad characters in certain localities by means of a military cordon should be resorted to. The Committee realise that already some bad characters are being rounded up ; the process may be hastened.

2. Military pickets should not remain stationary ; but should patrol the affected areas as was done in 1929.

3. Every precaution should be taken to isolate the areas already affected and not to allow the trouble to spread to the northern parts of the City.

4. Armed military pickets should be posted at all strategic places.

5. All the prohibitory orders should be strictly enforced.

6. Lathis, knives and other lethal weapons should be confiscated wherever found.

7. Police help should be given to evacuate those Hindu and Muslim families which are stranded in Muslim or Hindu quarters.

8. Steps should be taken to give warning to incoming passengers at various railway and port stations, and help should be rendered to them in cases where it is found necessary.

I have to request Your Excellency to be pleased to consider all these questions and take immediate steps in the interests of Law and Order and peace of the City, which you have so much at heart. If necessary, the Committee of my Chamber will be glad to send their representatives to wait on Your Excellency to talk over the matters personally.

Letter No. 328, *dated 28th April* 1941, *from the Secretary, Governor of Bombay, to Chamber.*

His Excellency directs me to acknowledge receipt of your letter of the 26th April 1941, and to say that he has read it and appreciated the fact that your Chamber is anxious to be of assistance in maintaining law and order. Your Chamber need be in no doubt that His Excellency is determined that every step will be taken which will assist towards that object.

2. His Excellency cannot, however, accept the view expressed in the first paragraph of your letter that no effective steps were taken to prevent trouble on Friday, the 25th April. That is not in His Excellency's view a correct appreciation. It would be more correct to say that it was owing to the precautions taken that worse events were prevented. Since your

Chamber has clearly demonstrated its anxiety to be of assistance, His Excellency does not hesitate to ask its members to go further and not to suggest, without full knowledge, when an untoward incident occurs, that it need not have happened if the Police authorities had done something different. Such suggestions, which are often due to rumours, only add to the nervousness of the public and prolong the tension.

3. All the points mentioned in your letter are continuously before the authorities and, as your Chamber is aware, nearly all of them and others as well have been put into operation.

4. I am to add, with reference to point (1) on page 2 of your letter, that the rounding up of bad characters has in fact been progressing steadily. Since tension became evident the number of arrests to date is round about 1,400 and is expected to reach 2,000 in a day or two. Action under this head is more selective and, therefore, less spectacular than on any similar occasion, but it is intensive and is expected to assist materially in restoring peace.

APPENDIX 154

Riot Situation in Bombay and Ahmedabad.

Letter No. 1246, *dated* 30*th May* 1941, *from Chamber to the Private Secretary, His Excellency the Governor of Bombay.*

With reference to the correspondence ending with your letter dated 28th April 1941, the Committee of this Chamber deeply regret that there is a recrudescence of Hindu-Muslim trouble in Bombay again since the evening of Thursday the 22nd instant. What happened on that day was that at about 7 or 7-30 p.m. a crowd of Moslems came out of the Jackeria Musjid and fell upon the Hindu passers-by, as also Hindus sitting in trams, victorias and buses, and there was a number of casualties. Simultaneously stray assaults took place in other localities also. This has led evidently to mutual repri-

sals, and every day the situation in the city is getting more tense. This Chamber is a cosmopolitan body and my Committee want to do all their best to allay the panic and the tension in the interests of not only one community or the other, but in the interests of the whole city. These sporadic attacks and disturbances strike at the very roots of trade, commerce and industries and it is to the interest of all concerned, whether Government, or the business community or the lay public, that such a situation must be put a stop to at once. My Committee are addressing another letter to you bearing upon many of these points and giving their suggestions and their views on the matter. In the meanwhile, they beg to approach His Excellency with a request that he will be pleased to appoint a Committee of Enquiry, presided over by a High Court Judge and including non-official public men occupying a high status, to find out the causes which are responsible for all these attacks and outbursts. My Committee have mentioned in another letter that the present riots differ from the riots which happened in the past in this that while with regard to the latter there were some specific religious or communal causes responsible for the disturbances this time there are no such specific religious or communal causes. This is the greater reason why a searching enquiry should be made. My Committee beg to urge that such a Committee should be appointed as early as possible. They believe that even the mere announcement of a proposed Committee of Enquiry will go to a great length in creating confidence in the public, in quelling the riots and making it impossible for another recrudescence.

While it is true that the present situation must be brought to an end at once, my Committee consider that it is highly necessary to have a Committee of Enquiry to find out the causes, as that will also help in bringing the situation under control as soon as possible and prevent such outbreaks in future. Setting up of such a Committee of Enquiry will bring it home to whoever are responsible for the riots that they will be no longer free to carry on their nefarious and anti-social activities. The public mind is to a great deal upset by

the events which have happened not only in the City but in other places also and my Committee feel sure that His Excellency, who has evinced such a keen desire to put a stop to the riots by all means possible, will be pleased to respond to this public demand for a Committee of Enquiry.

My Committee have pointed out in another letter as to what further should be done to supplement these steps, but in the meanwhile, one of the essential things to be done is the appointment of the proposed Committee of Enquiry, for which they learn a demand has also been put forward by all the different public bodies of Ahmedabad.

Letter No. 1247, *dated* 30*th May* 1941, *from Chamber to the Private Secretary, His Excellency the Governor of Bombay.*

My Committee are informed that a representation has been submitted on behalf of a number of commercial associations of Ahmedabad, by Mr. Amritlal Hargovinddas, B.A., LL.B., President, Madhyastha Vyapari Mandal, Ahmedabad, requesting His Excellency the Governor to be pleased to appoint a Committee of Enquiry to find out the causes of the recent Hindu-Muslim riots in that city. My Committee have been studying the Ahmedabad situation very well, and deeply deplore the ugly incidents which have taken place there. Ahmedabad is the second industrial city in the Province and its trade and commerce also are of large proportions. Anything, therefore, which affects Ahmedabad adversely, affects the Bombay Province also adversely. My Committee do not go deeper into this issue, as all the issues have been placed before His Excellency. They, however, beg to submit to His Excellency that they support the representation strongly and hope that he will be pleased to respond to the request made therein.

Letter No. 1248, *dated* 30*th May* 1941, *from Chamber to the Private Secretary, His Excellency the Governor of Bombay.*

My Committee have addressed a letter to you today requesting His Excellency to be pleased to appoint a Com-

mittee of Enquiry to find out the causes of the present Hindu-Muslim trouble. They are addressing this letter again to you to be placed before His Excellency, drawing his attention to certain aspects of the situation and suggesting certain actions, which in the opinion of my Committee as also of several public commercial bodies are essential to put a stop, as soon as possible, to the situation which should no longer be tolerated in a highly civilised and industrial city like Bombay. The longer the situation lasts, the greater the tension becomes, and it is because of this that all possible steps must be taken to free the city of the incubus of riots. Trade, commerce and industries of the city are being affected very adversely on account of the recrudescence of the trouble time after time.

At the request of several commercial associations affiliated to this Chamber, to consider the critical situation prevailing at present, my Committee called a meeting of representatives of 36 commercial associations, in order to learn the views of all these business people and to get suggestions from them looking to their experience of the riot. What my Committee find from their experience and from what they have been given to understand by representatives of various commercial associations, is that while the different incidents which have taken place are the acts of *goondas*, there is evidently organisation behind all these acts of *goondas*. In short, my Committee have no doubt that there is organised conspiracy behind these sporadic and murderous assaults. It is interesting to note that while some sort of religious or communal question was always the prime cause of the riots in the past, this time there does not appear to be any such religious or communal cause, leading thus to the justification of the view that there is some organised conspiracy behind.

The fact that bicycles and other vehicles are found to have been used in committing stabbing outrages and other circumstances connected therewith seems to create an impression that there is an organised attempt on the part of some persons or parties to instigate or further the trouble.

Government cannot be unaware that certain religious or communal places are resorted to by mischievous sections of the public and by *goondas* and my Committee suggest that they should take powers to themselves, if they have not got them already, to see that such places are not used for such mischief.

My Committee beg to point out that the Orders preventing the Press from mentioning the streets or localities where trouble happens or is brewing, were, in a way, unfortunate, as they lead unwary people into those localities where they may be stabbed or attacked. It will also help business concerns which would be in a position to know where to send their clerks and servants and where not to send as, as matters stand at present, they cannot send them out at all. It is, to their mind, very important that the present restrictions on the Press with regard to this information should be removed, as such ignorance has led to attacks on the unwary and the ignorant.

Definite statements have been made in the Press regarding attacks by the Police and ill-treatment of some of the inmates of houses. My Committee have been informed by representatives of several business houses and commercial associations that business people and their servants, while working in their *pedhies* and sometimes even on the second and third floors of buildings, have been attacked by the Police ; and women and children were also attacked. My Committee do not deny that in times of excitement, the innocent are likely to suffer to some extent, but the extent to which the Police appear to have gone in certain places either on account of their over-zealousness, nervousness or any other causes, is surely not justified. My Committee understand that at an interview of a deputation of some Hindu and Muslim leaders with the Commissioner of Police, it has been agreed upon that there should be representatives of Hindus and Mahomedans for every street, who should work with the Police wherever the latter have to take any action. My Committee hope that such an experiment will result in success and in

bringing about confidence between the public and the Police. In the meanwhile, they should like that Government will be pleased to enquire into all these incidents which are reported to have taken place and issue a statement to the public with regard to those incidents.

My Committee are informed that certain stabbing incidents have taken place even when the Police were nearby and that the people concerned have managed to escape. Government will be pleased to enquire into such incidents also and strengthen the Police force so that the guilty parties do not escape.

My Committee will be obliged if they will be informed as to the exact number of people who have been arrested upto now since Thursday, the 22nd instant. There is a feeling among the public that there is a number of innocent people arrested without any cause, while several real culprits have managed to escape.

My Committee are placing these suggestions before His Excellency purely in a spirit of co-operation and with a strong desire to strengthen the hands of Government to quell the riot. What they feel, however, is that there must be created a sense of confidence and trust in the business community and in the public in general, and it is because of this that they want action taken by Government on the lines suggested above. The City of Bombay is the second city in the Indian Empire, and looking to its vast trade, commercial and industrial interests, it is vitally important and essential that the riotous situation must be brought under control. The City is playing a very important part also in the supplies to the Army and anything which affects such supplies may affect the war work also. Fortunately the industrial area is not still affected, and it is necessary to quell the riot in order to prevent its spread.

Under all these circumstances, my Committee beg to request His Excellency to be pleased to consider all these issues and take the necessary action.

APPENDIX 155

1941 Census and Classification of Vital Statistics.

Letter No. 2748, dated 1st November 1941, from Chamber to the Department of Education, Health and Lands, Government of India, New Delhi.

The Committee of this Chamber understand that with regard to the Census of India taken during this year, it is proposed to publish only the tables of figures and not to publish the full Census Report as usual. The Census Report contains, besides population statistical tables, a good deal of information regarding vital statistics needful for knowledge and for planning social reconstruction. A Census is not useful merely for getting population figures, but also figures regarding literacy, education, etc., and specially informative and useful are the general observations and conclusions which are based upon statistics given in the Census Report. It is a general complaint of my Committee that India is far behind the other civilised countries with regard to statistics. This being the case, it is deeply regrettable that an opportunity like the publication of the Census Report is not to be utilised for giving the much-needed statistics and also for publishing the useful observations. My Committee strongly protest against the proposed omission, which will mean a retrenchment of not a big amount and which will deprive the people of the much-needed source of knowledge and information.

Letter No. 45/46/41-Public, dated 10th December 1941, from Home Department, Government of India, New Delhi, Chamber.

I am directed to acknowledge the receipt of your letter No. 2748, dated the 1st November 1941, addressed to the Department of Education, Health and Lands, on the above subject, and to say that the views expressed have been noted by the Government of India. As the Chamber is probably aware the Census records remain available for possible future tabulation when conditions are more favourable.

APPENDIX 156

Proposed Advancing of Clocks by One Hour during the Period of the War.

Letter No. S.D./A.R.P.-1019, dated 28th August 1941, from Home Department (A.R.P.), Government of Bombay, to Chamber.

I am directed to forward herewith a copy of Government of India, Home Department, letter No. 123/41-Public, dated the 6th August 1941, on the above subject, and to request that you will kindly furnish Government with the opinion of your Chamber on the proposal by the 8th September 1941.

No. 123/41-Public

GOVERNMENT OF INDIA

HOME DEPARTMENT

From E. Conran-Smith, Esquire, C.I.E., I.C.S.,
Secretary to the Government of India.

To The Chief Secretary to the Government of Bombay.

Simla, the 6th August 1941.

SUBJECT :—Proposed advancing of clocks by one hour during the period of the war.

Sir, I am directed to say that the Government of Bengal have moved the Government of India on the subject noted above. They have stated that in view of the black-out scheme in Calcutta it is necessary to take measures in advance to deal with traffic difficulties which are anticipated if large numbers of office workers have to be transported after nightfall through streets in which the lamps have been shaded in accordance with A. R. P. Instructions. It is also regarded as essential that, before there is any appreciable shortening of daylight, steps should be taken to adjust normal business hours so that it will not be necessary to rely during the winter months on the blacking out of lights in commercial offices and the great bulk of office workers may get home before nightfall. To achieve this purpose the Provincial Government point out

that it would be possible to advance local time, but Calcutta time is already 24 minutes ahead of standard time and there would be disadvantages, particularly in connection with postal and railway services, in further increasing the margin between Calcutta time and standard time by advancing the former another 36 minutes. The Government of Bengal have, therefore, suggested that for the duration of the war Indian Standard Time should be advanced by one hour, i.e., from $5\frac{1}{2}$ hours to $6\frac{1}{2}$ hours ahead of G.M.T., throughout India.

2. The Government of India would be glad to be furnished with the views of the Government of Bombay on the above proposal as early as possible and in any case not later than September 15th.

Letter No. 2193, *dated* 6*th September* 1941, *from Chamber to Home Department (A.R.P.), Government of Bombay.*

I am directed by my Committee to acknowledge receipt of your letter No. S.D./A.R.P.-1019, dated the 28th August 1941, with its enclosure, viz., copy of letter from the Government of India to the Chief Secretary to the Government of Bombay, regarding proposed advancing of clocks by one hour during the period of the war. My Committee have considered this communication very carefully. They are of opinion that any change made on the lines suggested in that communication will greatly inconvenience the commercial community. They feel that no immediate emergency has arisen to necessitate such a change. If, however, Government consider that such a change should be made and introduce such a change, my Committee believe that the commercial community will try to adapt itself to it.

APPENDIX 157

Establishment of an Industrial Museum.

*Letter No. F.*634/148, *dated* 11*th March* 1941, *from Federation of Indian Chambers of Commerce and Industry, New Delhi, to Chamber.*

At the Twelfth Industries Conference, held at Lucknow, in December last, a proposal was submitted for discussion by

Shri Ram, who was to represent the All-India Organisation of Industrial Employers at the Conference for the establishment of an Industrial Museum in New Delhi. In the absence of Sir Shri Ram, the proposal was sponsored at the conference by Lala Padampat Singhania, Representative of the Federation, and the following conclusion was reached :

> "The Conference is of the opinion that the consideration of this question may be adjourned to the next Industries Conference and that in the meanwhile, those interested in the question may be asked to furnish further details to the Government of India so that a Commercial Exhibition on a permanent scale may be organised and may function permanently. Suggestions as regards the place where it should be located and how it should be financed may also be invited."

The Government of India have accordingly addressed a communication to the Federation asking for further details about this proposal, with particular reference to the location of the Museum and the means of financing it. The Committee of the Federation, when they considered this question at their last meeting held here on the 3rd instant, asked the office to ascertain from all Member-bodies if they have any useful suggestions to offer to the Committee in this connection. I shall, therefore, thank you to communicate to me your views on this question, with particular reference to the questions regarding the location of the Museum and the means of financing it. Your communications should reach this office some time by the 14th April 1941.

Letter No. 871, dated 9th April 1941, from Chamber to the Federation of Indian Chambers of Commerce and Industry, New Delhi.

The Committee of this Chamber have considered your letter of the 11th March, No F.634/143, with reference to the establishment of an Industrial Museum. My Committee approve of the idea of establishment of such a Museum ; but in order to derive full commercial benefits out of such an arrangement, it would be necessary to have Industrial Museums

in all the important industrial centres of the country. Location of a Museum in Delhi alone will not be of any benefit to the country.

Regarding the question of finance for the same, my Committee are of opinion that the initial expenditure for establishing such Museums should be met by a grant from the Central Government and the Provincial Governments concerned should meet the recurring expenses. The feasibility of reimbursing part of the recurring expenditure by charging nominal fees on exhibitors and by recovering a commission on orders booked through the Museum may also well be considered.

APPENDIX 158

Double Election Procedure—Federation.

Letter No. F-1049/527, dated 28th April 1941, from Federation of Indian Chambers of Commerce and Industry, New Delhi, to Chamber.

The Member-bodies might have noticed that, on certain recent occasions, the Government of India seem to have departed from their usual procedure of inviting either the Federation or the commercial interests directly concerned, to nominate their representatives to serve on Committees and Conferences appointed, from time to time, by Government, and have adopted a novel procedure of their nominating persons to represent either general commercial or specific interests on such Committees and Conferences. Mr. Amrit Lal Ojha, the then President of the Federation, felt that the matter should be considered by the Committee, and, accordingly, placed this question before the Committee which met in New Delhi on 9th November 1940, for their consideration. In placing this question before the Committee, he remarked that there was some feeling that the system of nomination of individuals, adopted recently by Government, was not desirable, as such a procedure, if permanently adopted by Government, would deprive the Federation of an opportunity to

send its representatives on these Committees and Conferences. Another objectionable feature of the Government's procedure would be that, while persons nominated by them would not be responsible to either the Federation or any other organised body, representatives nominated by the Federation would be responsible to the Federation and would thus be guided in their deliberations of the questions coming up before the Committees and Conferences by the general policy of the Federation. It may also be a disintegrating factor in the working of the Federation.

The Committee gave their very careful attention to this question successively at three of their meetings held on 9th November 1940, 3rd March and 21st March 1941. During the discussions that ensued, a number of suggestions were made. Some members expressed the opinion that the procedure of Double Election adopted by the Federation, however democratic it may be, was not such as would bring about desired results, as the procedure led to great deal of canvassing and there are persons who would not agree to stand for election if it meant canvassing of votes. Another suggestion was made during the discussion that the present procedure should be modified to the effect that, while Member-bodies should be invited to nominate candidates, the final selection should rest with the Committee. Under this suggestion, while the Member-bodies would have the choice of suggesting names for the consideration of the Committee, the final choice would rest with the members of the Committee and the candidates would be saved all the trouble of resorting to the canvassing of the votes.

The Double Election procedure, as you know, was introduced in 1929, when Mr. G. D. Birla was the President. Prior to that, only on two occasions nominations were made in one case, the nominations were made by the Committee, in 1927, in respect of the nominations of three representatives to serve on the Central Advisory Committee for Lighthouses, while, in the other case, the Member-bodies, in 1929, elected representatives of the Federation to serve on the Banking Inquiry Committee, under Single Election procedure, the

then President suggesting certain names to Member-bodies. Since the adoption of the Double Election procedure, there were about 34 occasions, during the last 11 years, when the Federation was asked to nominate representatives to serve on Government Committees. Out of these 34 occasions, only on 4 occasions Double Election procedure was not adopted :—

1929 (1) Nomination of late Mr. B. F. Madon and Mr. D. P. Khaitan.

(2) Nomination of Mr. Walchand Hirachand, on the Governing Body of the I.C.A.R.

(3) Nomination of Mr. Kasturbhai Lalbhai and Mr. D. P. Khaitan, on the Merchants' Shipping Conference.

1936 (4) Nomination of Mr. D. P. Khaitan, Sir Shri Ram and Sir Rahimtoola Chinoy, as Advisers in connection with the Indo-Japanese Trade Negotiations.

In respect of the last two occasions, Single Election procedure had to be observed because of the shortness of time at the disposal of the Federation Office ; otherwise, on all other occasions—on 30 occasions—Double Election procedure was observed.

The Committee, after considering all the points raised during the discussion, finally decided that it was a matter on which the views of the Member-bodies, who have been primarily concerned under the present procedure in the election of the representatives of the Federation, should be invited and that these should be made available to the Members of the Committee at their next meeting, so that the Committee may be in a position to devise a procedure which will be found to be the most suitable one for this purpose. I shall, therefore, be much obliged if you will kindly place this question before your Committee and would communicate to me their opinion, for the use of the Members of the Committee of the Federation. Your reply should reach this office not later than 15th June 1941.

Letter No. 1343, dated 13th June 1941, from Chamber to Federation of Indian Chambers of Commerce and Industry, New Delhi.

I am directed to refer to your letter No. F-1049/527, dated the 28th April 1941, on the question of procedure to be followed in the matter of nomination of Federation's representatives to Public Bodies and Conferences. My Committee have given their careful consideration to the issues involved. They are strongly of the opinion that the existing system of Double Election procedure should be continued.

In the first para of your letter under reply, you refer to certain recent occasions when the Government of India had departed from their usual procedure of inviting either the Federation or the commercial interests directly concerned to nominate representatives to serve on Committees and Conferences and instead had adopted a procedure of themselves nominating persons to such Committees or Conferences. My Committee hope that the Federation has already entered into a strong protest against this departure ; if the Committee of the Federation have not already done so, they suggest that such a protest should be sent to Government at an early date.

Letter No. F-1552/527, dated 2nd August 1941, from Federation of Indian Chambers of Commerce and Industry, New Delhi, to Chamber.

With reference to my previous Circular Letter No. F-1049/527, dated the 28th April 1941, whereunder views of the Member-bodies and Members of the Committee were invited on the advisability of modifying the present Double Election procedure, I am now directed by the Committee to inform you that, having considered the views so far received from the Member-bodies and Members of the Committee, the Committee, at their last Meeting held in Bombay, on the 20th July 1941, decided that the Double Election procedure should continue to operate in future, with regard to the election of the Federation's representatives.

APPENDIX 159

Resolutions for the 14th Annual Session of the Federation of Indian Chambers of Commerce and Industry.

Letter No. 438, dated 19th February 1941, from Chamber to Federation of Indian Chambers of Commerce and Industry, New Delhi.

With reference to your circular letter No. F-95/59, dated the 13th January 1941, I am directed to send to you hereby draft resolutions on the following subjects for being tabled for consideration at the ensuing Annual Session of the Federation of Indian Chambers of Commerce and Industry :

1. Present political situation,
2. Co-ordination of War Supplies in the East,
3. Industrialisation,
4. Export Markets,
5. (*a*) Export Trade Control,
   (*b*) Import Trade Control,
6. Taxation through utility services,
7. Income-tax administrative procedure,
8. Shipping, and
9. Insurance.

DRAFT

Resolutions for the 14th Annual Session of the Federation of Indian Chambers of Commerce and Industry to be held on 22nd and 23rd March 1941 :

1. **Present Political Situation.**—The Federation views with concern the developments in the Political field which have led to the break-down of the Constitutional machinery in seven out of the eleven Provinces.

The Federation supports the national demand for the clarification of the War aims and their application to India and for a clear, definite and immediate declaration regarding the Constitutional position of India immediately after the War.

The Federation urges upon both His Majesty's Government and the Government of India the imperative necessity for taking immediate steps to end the present deadlock by conceding the demand for the institution of a National Government at the Centre, pending the final settlement of the Constitutional problem, composed of representatives of elected elements in the existing Central Legislature.

2. **Co-ordination of War Supplies in the East.**—The Federation regrets to note that the report or the main conclusions of the Eastern Group Conference have not yet been published in the country and that the public in general and the commercial community in particular are not being taken into confidence by Government regarding the possible directions or the further stages of the programme of work consequent upon the recommendations of the Conference. The Federation urges that the Government of India should not commit themselves to any line of action in this regard without consulting public opinion on the issues involved in relation to any specific steps for furthering the co-ordination of War supplies in the East.

The Federation urges that the Government of India should arrange for elected representatives of the Indian commercial community being included on the Eastern Group Supply Council which is to be constituted in accordance with the decisions at the Conference with a view to implementing the programme of work as may be agreed upon between the different Government following the recommendations of the Conference.

The Federation is strongly of opinion that at all events no steps should be agreed to in the name of co-ordination of supply which would have the result of the infiltration of foreign capital for industrial undertakings in this country or the regimentation of spheres of production as between the different countries in the East with a view to avoid overlapping. In particular the Government of India should not enter

into any commitment which would stand in the way of India developing any industry or undertaking of an essentially key character.

The Federation strongly protests against a non-Indian being secured from England for Chairmanship of the Council as such a Chairmanship should be reserved for an Indian businessman only.

3. **Industrialisation.**—With a view to give the necessary impetus for the immediate establishment and speedy development of essential key industries under Indian control, management and direction, the Federation is of opinion that the Government of India should enunciate a vigorous policy of industrialisation through State assistance.

While appreciating the statements made on behalf of Government that industries developed during the period of the war would be given assistance and protection wherever necessary after the War, the Federation feels that a more specific and definite indication of possible directions of Government policy after the War and the extent and nature of the assistance and the period for which the same may be reasonably expected, is necessary in order to give the Indian public and commercial interests a measure of guarantee in regard to future position of industrial ventures made possible by the conditions arising out of the War.

4. **Export Markets.**—The Federation welcomes the proposal for sending Trade Missions to different countries with a view to seek fresh [redacted]enues of trade for Indian products. Such Missions, while being officially sponsored, should comprise mainly of representative [redacted]non-officials having first-hand experience of Indian business conditions and requirements.

5. (A). **Export Trade Control.**—The Federation again invites the attention of the Government of India to the difficulties encountered by Indian merchants on account of the war time restrictions on export trade and in particular wishes to point out complaints about :

(*i*) difficulties arising out of the lack of shipping tonnage ;

(*ii*) discrimination in allotment of shipping space ;

(*iii*) administrative practice which prevents national interests in the trade getting their legitimate share of the business ; and

(*iv*) appointment of non-national agencies for purchases for and on behalf of His Majesty's Government.

(B). **Import Trade Control.**—Having regard to the extension of Import Trade Control to a variety of articles, the Federation urges the appointment of an Import Advisory Council, with subsidiary bodies at different ports, with a view to facilitate the discussion and mitigation of practical difficulties arising out of the day to day application of the control.

The Federation further feels that as a matter of general practice contracts and commitments entered into before the institution of the control should be exempted from the provisions thereof and that the goods covered by such previous contracts should be allowed to be imported.

6. **Taxation through Utility Services.**—The Federation strongly disapproves of the policy of the Government of India in making the Public Utility Services like Railways, Posts and Telegraphs and Telephones of the country as a medium for increased indirect taxation and urges that the rates for such essential services should not be made dependent on the revenue exigencies of Government.

7. **Income-tax Administrative Procedure and Public Dissatisfaction.**—The Federation draws the attention of the Government of India to the growing feeling of dissatisfaction at the administrative practices adopted by the various Income-tax authorities ; and urges that a Committee with a non-official majority be appointed to go into the question and to review the administrative procedure.

8. **Shipping.**—The Federation has once again to reiterate its strong conviction that not only is the proper building up and development of a National Indian Mercantile Marine

essential to meet the requirements of India's maritime trades and the effective expression and safeguarding of its national economic policy; but it is also imperative for India's political strategy and safety as a second line of India's defence. The Federation, therefore, deeply deplores the attitude of the Government of India in regard to this key industry and strongly protests against it because the Government of India, instead of taking all useful proper and available steps for the development of Indian shipping in India's coastal and overseas trades, have imposed fresh fetters and new burdens on the tiny little mercantile marine which India possesses at present. The Federation can see no justification—

(1) for restricting the movements of and controlling the rates of freight and passage fares charged by Indian ships on the Indian Register while leaving British ships engaged in the coastal trade and ships on the Indian Register but practically owned by British interests absolutely free in these matters ;

(2) for giving substantial financial help to ships on the Indian Register but practically owned by British interests running in the Haj Line, effectively driving away the ships of the national company from that important India's overseas traffic ;

(3) for requisitioning almost all the small ships and the most substantial portion of the large Indian ships owned by Indian nationals, while leaving a number of British ships on the British Register free to carry on the coastal trade ; and

(4) for appointing non-Indians as Shipping Controller, as Indian Shipping Adviser and nominating only non-Indian firms as representatives of shipping on Advisory Committees.

At a time when the building of ships is considered imperative for national safety and when the establishment of shipbuilding yards and substantial financial help for running them have been considered as one of the greatest national obligations in all parts of the British Commonwealth, the Federation

considers it singularly unfortunate for India that the Government should have announced that they "are not proposing to encourage actively the merchant shipbuilding industry in India as part of their war effort." The Federation would, therefore, strongly appeal to the Indian Commerce Member of the Government of India that he should rise to the occasion as a man and do his utmost for extending all necessary facilities to and securing all necessary help for India to build ships in Indian shipbuilding yards when both India and England need them whilst he is holding that high office of the State.

9. **Insurance.**—The Federation recommends that with a view to assist the development of Indian Insurance Companies, Government should, as a matter of policy, enjoin :

(*i*) that all Insurance controlled by Government should be placed with Indian Insurance Companies ;

(*ii*) semi-Government and public bodies like Municipalities, Local Boards and Port Trusts to confine their insurance business to Indian Insurance Companies ; and

(*iii*) all industries and enterprises in the country which have received or receive protection or assistance from the State in the shape of tariff assistance, bounties, subsidies or in any other like manner to place all their insurance business with Indian companies only.

APPENDIX 160

Speeches at the Quarterly General Meetings.

Speech of Mr. M. C. Ghia, M.L.A., President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber (30th April 1941)

GENTLEMEN,

Time flies so quickly. Only recently we met at our Annual General Meeting and already three months have passed and we are now meeting at our First Quarterly General

Meeting of the year. Extracts from the Committee proceedings are, as usual, sent to you, and you have seen from them what was the nature of the work done by your Committee during the last three months.

The President is expected always to make a few remarks with regard to important topics of the quarter and he may outline even the directions which the Committee work may take in future or the reactions of the commercial community to any public events or to any policy of Government. I propose, therefore, to make a few remarks.

Financial Quarter

The first quarter of the year may well be called the financial quarter, the Central as well as the Provincial Governments having fixed this as their budget season. All these Governments and the Railway Board, as a part of the Central Government, submitted their budgets to their respective Legislatures between January and March. Seven Provinces, however, are, on account of reasons which you all know, under the administrative control of Governors and their Financial Statements are prepared by the Governors as the custodians of their finances, and the popular voice does not exercise any control whatsoever over such Statements. It is a most undesirable state of things that seven Provinces of a vast country like India should be beyond the bounds of popular control and should be managed and conducted by the executive heads only. It is a great set-back and, as a matter of fact, it brings us to even the pre-Ripon period. Unfortunately, on account of the war and the internal unrest, the grave nature of this constitutional impasse and deadlock is apparently lost sight of, as both the Government and popular parties appear to be satisfied with the state of things as exist at present. Not only are seven Provincial Governments deprived and bereft of the popular control, but even with regard to the Central Government on account of the ban placed upon members of the Central Legislature by the Congress, the whole field is practically left clear for Government to introduce and support such measures as they want. To us, of the business community,

it is a state of things, which has taken away the popular control both from the Provincial and the Central Governments, which is the most undesirable thing that can happen to a country. After years of painful toil and self-sacrificing work of leaders of all communities and parties an administrative system was built up which, even though full of lacunae, was yet based upon some recognition of democracy, and we had some assurance that our case would not go by default. All this is now turned topsy-turvy, and we have got a state of things which will be most pleasant to the minds of totalitarian dictators.

Central Budget

The most remarkable thing about the budget of the Central Government, even in pre-war times, was the heavy burden placed on the country at large by the military expenditure. There was a protest against this from the whole country regardless of parties or communal differences. In fact, if there was one item on which the public opinion was unanimous in those days, over and above the Colonial question, it was the military expenditure. There was some relief, albeit a very meagre relief, given just before the war, but the war has naturally taken away all that relief and added tremendously to the burden of this poor country. The direct Defence Expenditure of India has gone up from Rs. 45 crores in 1938-39 to that proposed in 1941-42, viz., Rs. 84 crores. This expenditure may not appear big, if one contrasts it with almost 10 to 15 crores per day which England is spending in her struggle against the onrush of totalitarian powers. The case of India, however, is different from that of England. A giant and a dwarf cannot be compared. The miserable poverty of India makes the present expenditure of India on the war programme appear tremendous. The burden of taxation, which India can ill-afford to bear, is increased and your Committee rightly challenged the statement of the Hon'ble the Finance Member that the taxable capacity of the people of the country had increased on account of the war. The incidence of the Excess Profits Tax, the income-tax and super-tax make it in all a very big percentage and it is a burden which Indian industries can ill-afford to bear. Indian people have

to bear extra burdens imposed since the beginning of the war aggregating Rs. 21.55 crores in a full year, viz., Rs. 850 lakhs Excess Profits Tax ; 175 lakhs increase in Sugar Excise ; 140 lakhs increase in duty on motor spirit ; 100 lakhs Post and Telegraph surcharge ; 190 lakhs surcharge on Income-tax and super-tax ; 50 lakhs War Risk Insurance ; 650 lakhs Railway surcharge. To this is added by the recent taxes announced in the budget an additional burden of Rs. 661 lakhs, taking the total burden on account of the war to over Rs. 28 crores for the current financial year. Over and above this, there will be loans which may at the most transfer the burden from the present generation to the next but which nevertheless is a burden all the same. Even all this expenditure the country would strain its utmost to make up and do its best to even supplement if there were at the top of its Government not an irresponsible bureaucracy but a Government commanding the trust and confidence of the people at large. The Congress proposals for a responsible National Government were unfortunately not accepted and even the talk of the so-called War Advisory Council did not fructify. The Defence Department is still not in the hands of an Indian Defence Member. The proposals that were not put forward after serious consideration by some of the responsible leaders at what was known as the Sapru Conference may well deserve a serious consideration from leaders of the recognised Indian political parties as also from Government.

In this connection, it is most disheartening that the Rt. Hon. the Secretary of State for India has made one of his periodical statements, a week back, which takes us nowhere, and which repeats again his favourite slogan of "Have unity first in the country and then approach us." Our leaders have exposed the hollowness and the myth of such slogans. I may say that it is not honest to insist upon the different parties in India coming together before the British Government will vouchsafe to declare their aims and objects regarding this country. If Great Britain wills it, she can have unity in this country and satisfy the people with the declaration of her aims and objects both as regards the war and as regards the Constitution. Unfortunately, here Barkis is not willing.

INDUSTRIALISATION

If there is one question in which we as business community are interested the most, it is the question of industrialising the country. This question has been prominently before the country for many years past, but it is most regrettable that in view of the attitude of the Government of India, the pace of industrialisation leaves much to be desired. The tragedy of the present World War has again emphasised the urgent necessity of attaining a certain minimum level of industrial self-sufficiency for the country, and no less a person than H. E. the Commander-in-Chief in the earlier weeks of the War said in his Broadcast speech that the deficiency in the defence arrangements of India was to a large extent due to the industrial backwardness of the country. Whilst I am prepared to acknowledge the efforts of the Hon'ble the Commerce Member in recent months in the setting up the Industrial Research Council and the Industrial Research Utilisation Committee as steps in the right direction, I cannot help expressing the general feeling in the business community that unless there is a radical change in the attitude of the Government of India towards the desirability and the urgency of a rapid industrialisation, nothing tangible is likely to be achieved in the immediate future.

What is required is a well-thought-out plan for the next 5 or 10 years backed by a resolute policy of effectively carrying it out with all the resources at the disposal of the Central Government.

We have been frequently told that in pushing our demands for rapid industrialisation, we are oblivious of the fundamental fact in the economic situation of India that the country is predominantly agricultural. As a matter of fact, it is because we are far too conscious of the weakness of our economic situation as a result of our dependence predominantly on agriculture, that we are demanding a rapid industrialisation to secure a balanced economy for the country.

I have not the least doubt that it is entirely within the scope and power of the Government of India today to make

this industrialisation an actual fact if only they care to take the Indian commercial community into their confidence and convince them of their *bona fides* that they mean business.

Income-tax Grievances

In my speech at the last Annual General Meeting of the Chamber, I had occasion to refer to the feeling of dissatisfaction prevalent in the commercial community on account of certain administrative practices of the Income-tax Office. I regret to have to say that there has not been any change for the better. We still continue to receive complaints about hardships experienced by merchants regarding the interpretation of the provisions of the law and their application to actual cases. The Income-tax Department seems to be guided more by the anxiety to squeeze out as much tax as possible than by any consideration of the merits, fairness or equity of the case. The law is sought to be interpreted in a manner prejudicial to the assessees. Thus, we are informed that in the matter of partnerships, registration is refused or challenged on every conceivable excuse. Registration granted to firms which originated from Hindu Joint Families is in subsequent years being challenged and such partnerships are asked to adduce fresh proofs of actual partition. Decisions of the Income-tax Appellate Authority are not being respected by the Income-tax Officers and in subsequent years the same grounds of assessments which had been reversed in appeal proceedings are being adhered to by the Officers, with the result that the assessees are compelled again to go to appeal on almost the same or identical points. Agents of non-residents are being held responsible for income on transactions of such non-residents, of which the agents have no knowledge whatsoever. The old complaint about delays in disposing of refund applications still continues. I will give you a typical example of how in interpreting the provisions of the law, actual realities of the position are completely overlooked by the Officers. Many merchants had at the commencement of the war consigned to them on board several German steamers, cargoes and goods for which payments had already been made. There were also cases of debts due from persons

in enemy territory. As matters stand at present, there is no prospect of recovering these amounts in the near future. Many assessees who have written off these amounts as irrecoverable are not allowed to do so by the Income-tax Authorities and such amounts are not allowed to be deducted for purposes of assessment to income-tax. The justification for this position taken up by the Department is said to be that the war has led to the suspension of the contracts in question and that the ultimate loss could be determined only at the end of the war, when the result of all attempts to secure redress or compensation would be known. If such a view is legalistic at least from the commonsense point of view it is not realistic. In any case, it is too much to ask the assessees to hold themselves in suspense for years in respect of such losses and in the meanwhile to pay the tax on the current profits without any abatement for such losses. So far as our information goes, the practice adopted in the U. K. in respect of such debts, is that while they are to be separately stated in the accounts and regarded provisionally as good for purposes of tax, the actual collection of tax, however, is to be held over until the recovery of the debts and if the debts prove ultimately to be bad the tax is to be discharged. On the purely administrative side also, things do not seem to have in any way improved. The attitude of the Department towards the assessees generally is one of suspicion and distrust. Recently we have all read of the picturesque treatment meted out to a particular assessee in enforcing the payment of the amount of tax which was summarily determined by the Department. While I do not want to enter into the merits of this particular case, I cannot help pointing out that such inquisitorial and coercive measures, if they are meant to be in the nature of an object lesson to the assessees in general may have quite reverse results and will bring the administration of the law into ridicule. I know I am using strong language, but I sincerely feel that the occasion demands it. The assurances that were given out by the then Finance Member, Sir James Grigg, at the time of the Income-tax Amending Bill, and by Sir Jeremy Raisman at the time of the Excess Profits Tax Bill, that the legislation

in question would be administered in a proper spirit seems to have led to nothing.

War Risk Insurance

Government have, with effect from the 1st of April, doubled the rate of premium for war risk insurance, i.e., increased it to anna 1 per Rs. 100 per month. There was no justification for this increase, as Government have not so far had to pay any loss. Your Committee in common with many other associations have entered into a strong protest and urged that the increase in question should be withdrawn ; as otherwise the conclusion that Government are using the scheme as a measure of taxation to supplement their general revenues resources, notwithstanding their protestations to the contrary, is inevitable. I would also like to point out that in many cases in actual working the rate is found to work out much higher than the actual rate prescribed. There are certain restrictions and limitations under the scheme, by virtue of which every policy issued would be valid until the end of the quarter in which it is issued. Premium will also have to be paid for the full period, although the goods in question may be liquidated earlier. In the case of ordinary fire insurance policies, the cover under the same is transferable and it is also permissible to take out what is known as declaratory policies. These facilities are not allowed under the War Risk Insurance scheme, with the result that when the goods covered by a policy change hands the benefit under the policy cannot be transferred. Further, no refund is permissible under the rules. All these restrictions tend to increase the cost of insurance under the scheme. It was originally claimed on behalf of Government that as the rate of premium was very small it was not possible to allow declaratory policies or allow any refund of premium when the amount of insurable goods fell below the amount covered, or when such goods changed hands. This excuse of low rate no longer exists, and it is, therefore, necessary that on the lines of ordinary fire insurance policies, war risk insurance policies should be made transferable and provision should also be made for the issue of declaratory policies.

The Eastern Group Supply Council

The Eastern Group Conference finished its labours on 25th November 1940 and although five months have elapsed the public in this country are still in the dark as to the exact outcome of the same. The conclusions or the report of the Conference have not been made public ; nor is there any indication of the lines on which the main purpose of the Conference is sought to be achieved in the different countries.

In a press statement issued by the Government of India just before the Conference met, it was outlined that "the object of this Conference is not a general economic discussion but the settlement of a joint war supply policy for the Eastern Group under which the maximum use will be made of the existing and potential capacity for war supply of each participant." We in this country are mainly concerned with the manner and method in which this "potential capacity for war supply" is going to be harnessed and used. We are aware that the Conference has resulted in the establishment of what is known as the Eastern Group Supply Council. I am, however, sorry to say that our ideas of the exact functions, scope and method of work of the Council are still nebulous. Although the plenary Conference and formation of the Council received much publicity in this country, care has been taken subsequently to give out few details particularly in regard to the objectives and the implications of the activities. The recent attempt made in the Legislative Assembly to elicit fuller information on these points also failed. The Hon'ble Sir Zafarullah Khan, the Supply Member, was very enigmatic in refering to the functions of the Council although he took care to make it clear that the Indian Legislature, and consequently the Indian public would have no part or lot in the decisions or activities of the Council. According to him the functions of the Council would "broadly speaking be to receive demands for supplies from overseas forces and the Governments of the Eastern Group countries and to arrange to have them met, if possible, within the Eastern Group." What we are particularly concerned with is how the Council proposes "to arrange to have them met". A suggestion has been made

that for the present various countries should concentrate on the production of those articles which they could produce most readily and without delay and that by a system of specialisation and co-ordination duplication and overlapping of industrial efforts should be avoided. While such an arrangement would suit admirably the interests of some of the advanced countries within the Group, it is very sinister so far as India is concerned. The Allies' war needs were acclaimed as India's opportunity for industrialisation. Such industrialisation, if it is to be of lasting and permanent benefit to the country, should be based on a plan aiming at self-sufficiency. In the anxiety for the organisation of immediate war supplies, this long-range and vital problem of Indian industrialisation should not be overlooked. We do not want in the name of Empire co-ordination any joint attempt for the development or exploitation of the potential capacity of the country for supplying industrial and war needs for foreign capital in its trail brings foreign control and creates foreign vested interests within the country. We remember very well the reactionary opposition of such outside vested interests in connection with the grant of constitutional reforms for the country. We cannot with equanimity be any party to the forging of additional fetters round our future political and economic development ; in short we do not want to give any hostages to fortune as Bacon would put it. I am aware that during the last five months all these fears have been given expression to in unmistakable language and that the Government of India have been sufficiently warned to guard themselves against any such eventualities. But the policy of hush-hush which is in evidence so far as activities and programme of work connected with Eastern Group Supply are concerned has not helped to inspire confidence in the public mind. In their present subordinate constitutional position the Government of India may be jockeyed into accepting a plan of work which may ostensibly be designed to accelerate the immediate war efforts, but which none-the-less may have far-reaching consequences so far as the permanent interests of the country are concerned. I again appeal to Government to lift this veil of mystery surrounding the whole question of Eastern Group

Supply and to issue a statement clearly outlining the objective and the manner and method of attaining the same. In particular, it is the duty of Government to respect public opinion in the country and give a categorical assurance that the fears and suspicions entertained by us in this regard are not justified and that Government themselves are no less anxious to see that the plan and programme of work of the Council are in complete accord with the permanent and general economic interests of the country.

While on this I would like to refer to another matter which although it does not directly concern the problem of Eastern Group Supply is somewhat correlated. It was announced that the presence of representatives of various countries would be utilised by the Government of India for having exploratory talks on the possibilities of Commercial Agreements with a view to improving trade position between India and the respective countries. It is true that such talks were to be outside the Conference proper and were meant at the first instance to be of an informal character. It now transpires that these hopes were not realised owing to the shortness of the stay of the Delegations in question and their pre-occupations with the main purpose of the Conference. It is unfortunate that, when due to the constriction in export markets and the elimination of certain sources of our normal supply of imported goods, the question of alternative markets is of the greatest importance, the opportunity of pressing and utilising the contacts obtained during the period of the Conference to definite and tangible arrangements for establishing new channels of trade was missed. I am, however, glad that the idea of sending Trade Missions, officially sponsored but consisting mainly of non-officials, has appealed to Government and I hope that definite steps in that direction will be taken without any great delay.

Communal Tangle

Ordinarily, I would have finished my speech here. Unfortunately, events have happened recently both here and in Ahmedabad which make it necessary for me to express

some of my thoughts and feelings on this score. I know the situation is very delicate ; but there are occasions when one must speak out one's mind freely, as it is not advisable to follow a hush-hush policy every time. The communal question is a cancerous growth which threatens to strike at the very vitals of the nation. The way in which the riots broke out in Ahmedabad, the gruesome and horrible tales of murder and arson, and the way in which the situation has been handled,—all this give us cause for reflection. That a city like Ahmedabad, which may well be considered the second capital town of the Bombay Presidency, and the second or third industrial town in the whole of India, should suffer like this, is one of the biggest tragedies of the communal tangle. Is there, however, any surprise that some of these acts took place, most deplorable and regrettable as they are, when some of the recent speeches and writings have so much tended to fan the fire of communalism ? Ahmedabad is not alone. Bombay is now affected and the same old story of stabbing incidents, looting and incendiary acts is being repeated. The Dacca tragedy is not yet over, and the horrors which were perpetrated at both Dacca and in the villages specially in the Narayangunj Division are still vivid before us. The idea of Pakistan is the most unfortunate idea, wrought with the gravest dangers to this country. Surely, to talk of vivisecting India and bifurcating her in two or three portions, is a gospel of destruction. While I consider that it is preposterous to suggest that the individual Satyagraha campaign of Mahatma Gandhi is directed against the Muslims, I feel it my duty to make an appeal to Mahatmaji to suspend for a while, or, if possible, withdraw the present campaign and to again take up the work of Hindu-Muslim Unity which is of vital importance to the country at large. I have referred to the evils of Provincial Administrations passing away in the hands of the permanent bureaucracy, and I, therefore, strongly urge here that the Congress should take up the reins of office in all the seven Provinces. I urge upon Mahatmaji that by taking up the work of Hindu-Muslim Unity and by allowing the Congress to get back into the saddle again, he will be going a long way towards the achievement of the cons-

tructive items of his programme. Hindu-Muslim Unity has grown to be one of the biggest political problems, as this, to my mind, is not capable of solution, unless the Provincial Autonomy begins to function again. The present need of the country is, in the words of a paper, which is known usually for its commonsense and political far-sightedness, is "an active and robust leadership which would weld the masses into a dynamic and irrepressible power."

Speech of Mr. J. C. Setalvad, Vice-President, Indian Merchants' Chamber, at the First Quarterly General Meeting of the Chamber (30th April 1941)

MR. PRESIDENT AND GENTLEMEN,

The President in his very able speech has dealt with many of the burning topics of the day, political, economic and commercial and there is not left for me much to say. I should like, however, to supplement his speech with a few remarks, on some of the questions not referred to in the President's speech. One such question is the shipping question, on which, you know, your Committee have always concentrated their attention. Shipping is deemed to be one of the pivots of the economic and political life of every country, and if, therefore, your Committee concentrate their attention to a large extent on this question, I hope they are fully justified. Indian shipping had its tremendous difficulties during the peace times, as you all know, and played the part of Cinderella to the favoured god-child of British shipping, who got all what they wanted from the Government of India, and if they did not even to the slightest extent, their appeals to the British Government met with a cordial response. These difficulties of peace times of Indian shipping have now been increased much more again during the war period. The requisition of shipping has proceeded apace everywhere, and while ships of all companies have been requisitioned, there has been an element of unfairness with regard to the requisition of Indian ships and Government have not paid proper attention to the requirements of the Coasting trade on which Indian ships were plying. Looking to the arrangements which have been

made about the control of shipping in this country, it is not surprising that such complaints and grievances have arisen. His Majesty's Ministry of Shipping is represented in this country by a non-Indian officer, and there is another officer with regard to control of Indian shipping called the Indian Shipping Adviser, who also happens to be a non-Indian. So far as I know, even this Adviser is helpless against the control of the representative of the British Ministry of Shipping. The sum and substance of the whole affair is that with regard to a life and death question like shipping, India at present has practically no voice and all the control arrangements are practically done by British officers. One of the results of this sort of anti-national control came out to be that there was a great dearth of shipping which had its reaction felt in different lines of our trade. It was felt with regard to the transport of rice from Burma to India, particularly to Bombay. Your Committee sent several representations to the Government of India on this issue, and I must here thank the representatives of the Federation of Indian Chambers of Commerce and Industry, who were acting as Advisers to the Indian Delegation at the recent Indo-Burma Trade Negotiations for the many and earnest pains they took to bring this difficulty to the notice both of the Indian and Burmese authorities. As a result of all this agitation, Government released very few ships ; but still the tension is not lessened, and the soaring up of prices of foodstuffs, specially rice, is a very bitter reminder of the causes that have operated in bringing about a state of things which affects adversely particularly the poor and the middle classes. We have been receiving several complaints now and then with regard to this dearth of shipping, and the curious fact is that several of these causes affect particularly the Bombay trade. Thus, your Committee are informed that there is now no direct steamer service between Australia and Bombay, while there is a direct service between Australia and Calcutta and Madras. For Bombay there is always a transhipment at Colombo, which leads not only to a good deal of waste of time and money, but also to the deterioration of the stuff which is ordered out. The same is the case with the outward journey of our commodities ; goods like cotton

have to be sent out from Bombay to Calcutta and then have to be shipped from Calcutta to Australia. While I realise very well the difficulties of shipping throughout the world at present, I must say that commodities like rice should be considered as ammunitions of war and every effort should be made to see that the people get their foodstuffs regularly and punctually, as otherwise there will be a terrible distress in the land. Your Committee have long since been suggesting the necessity for having a representative of Indian Shipping on the Export Advisory Council. The reply which we got recently from the Government is entirely disappointing.

While I am on this topic, I cannot but regret the announcement made by Sir Alan Lloyd in the Council of State that Government were not proposing to encourage actively merchant shipbuilding industry in this country as part of the war effort. The commercial community of this country has by now become practically shock-proof. If the Hon'ble Member for Commerce and Labour says that he does not believe in the slogan of industrialisation of the country, surely his Secretary would go even a step further and say that Government do not propose to encourage actively a merchant shipbuilding industry in India as part of the war effort. It is particularly praiseworthy, therefore, that the Scindias should put up a plant at Vizagapatam for shipbuilding, and I wish them all success in their undertaking .

Provincial Finance

Provincial finance, like Municipal finance, may not present some of the high topics with which we are familiar in the Central finance. Just as Municipal finance relates to our hearths and homes, Provincial finance also relates to the same. It deals with the questions which build up the nation. Unfortunately, the popular Government in Bombay which prepared financial statements and submitted them to the Legislature is no more. The changes made in the prohibition policy have given to Government a windfall of almost a crore of rupees. It has, therefore, made it possible for Government to reduce

the Urban Immovable Property Tax from 10 to 8 per cent and from 5 to 4 per cent with effect from 1st April 1941. It is regrettable that total exemption is not given, as expected, at least to charitable and wakf properties. In the opinion of your Committee while they set about this task Government should well have given a 50 per cent relief to the properties. Such a relief would have meant a great help not only to the building and construction trade, but also to the general property market, and thus there would have been a very favourable reaction upon trade and industries in general as also upon the prosperity of the people. I should like to refer here to the reductions which we find for several nation-building departments, as also the sanctioned amounts not having been disbursed by the departments concerned. Your Committee suggested a carefully laid-down programme of reduction of taxation, utilisation of the surplus for nation-building activities and building up a Reserve Fund to serve as a reservoir in times of emergency to meet contingencies.

Railway Budget

The Railway revenues this time showed a huge almost unprecedented surplus. The Railway Member was naturally recipient of many congratulations on such a happy issue. Your Committee, however, could not share in these congratulations. While they were glad that the Railway revenues had shown a surplus, they observed that this itself was due to repeated increases in rates and fares, even when there was no necessity or justification for such increases. Effecting such increases in rates and fares is adding indirectly to taxation, and that too without the sanction of the Legislature. Manipulation of the Railway policy in this way, while it may give a windfall to Government, drains away the people's wealth all the same and the drain is mainly from the people who are the least able to bear it, viz., the agriculturists. Whether you have an increase in the passenger fares or whether you have an increase on the goods freight, the incidence of the burden ultimately falls upon the agriculturists, who form 80 per cent of the population. It is they who are the biggest travellers in this country with their markets, their pilgrimages,

their marriages, and so on ; while with regard to the goods traffic, it is raw commodities which give the biggest load and the longest lead to the railways. It is this factor which is lost sight of generally when the discussion of the question of the railway revenues comes up. With such a big surplus, Government should have given substantial relief to the agriculturists by reduction of the third-class fares and reduction in the goods rates. Unfortunately, not only was the surcharge of 12½ per cent on goods rates and 6¼ per cent on passenger fares imposed last year were not removed, but the Hon'ble Member for Railways is actually considering whether the rebates designed to encourage the exports of coal and wheat are still justified, as also the question of imposing the surcharge on suburban season ticket fares. The question of season ticket fares is our local question. It has proved to be the painful duty of your Committee to draw the attention of the authorities to this on more occasions than one. The suburbs have proved to be the real lungs of the City and the exodus of the people to the suburbs has led, directly and indirectly, to a clean bill of health for the city. It is, therefore, but meet and proper that the promises and assurances which were made and given in this connection should be faithfully observed, viz., that there would be no increases in the suburban ticket fares. Unfortunately, these fares have been increased. I must here sound a note of warning that if there is any further increase in these fares, it will lead to a set-back of the suburban movement and the temptation which Bombay is now affording of good houses, blocks, flats and chawls and the people in the suburbs may be induced to come back rather than pay through their noses for so many extra charges which the suburbs require now-a-days.

Railways *vs.* Roads

For years past there has been a tussle going on between the Railways and the Road traffic, and Government have been following the short-sighted policy of adopting a step-motherly attitude towards the Road traffic, giving encouragement and showing favouritism to the Railways. The nemesis, however,

has overtaken this policy sooner than was expected. The present war led to a heavy call on the resources of Railways and we have been recently confronted with a very serious shortage of wagons leading to a great congestion on several railways, making it impossible for cotton, wheat, seeds merchants to get their requirements in time. We have been protesting with all the force we can command against this, but every time we are given a reply that things were shaping themselves well. Ultimately, leading commercial bodies of the City met together and sent a joint telegram to the Government of India. We have also been taking such other action as is necessary and possible under the circumstances, and we feel that the business community may see the end of this struggle at least for the present with regard to the shortage of wagons at no distant date. It is because of this that we say that Government should relax their policy of anti-Road traffic and give it such relief as is possible at once from the operation of the Motor Vehicles Act. Government thought at one time that killing the road traffic or at least handicapping it would lead to an increase in the railway revenues. Even supposing there was such an increase, at what cost it had been achieved, at what disastrous loss to trade and industries and perhaps still more disastrous loss to the agriculturists ! Not only this, but it has been the experience of Great Britain at present on account of the war conditions that road traffic will give better results than the Railways, and that sole and blind dependence upon the Railways will create a jam from which it will be difficult to escape. I find from a Journal called *Motor Transport* of London that the British Ministry of Transport has now decided to reverse the old process and to get back again from Rail to Road. The reason is the great increase in the volume of essential traffic with which the Railways are now faced, which has led to congestion on the Railways. The Indian Roads and Transport Development Association has recently stated that this change of policy on the part of the Ministry of Transport in England should carry its lesson to those in authority in India. The Association also observes that in order to strengthen India's war effort and ensure that all forms of transport might be used to their

maximum capacity, it is essential that the Government of India should change their policy in line with the realities of the war situation. Your Committee have from the very beginning set their face against too much partiality shown to Railways and have always declared for Road traffic. I, therefore, wish to suggest under the circumstances, that all our business organisations must join together and put up a strenuous fight for the removal of the handicaps against the Road traffic imposed under the Motor Vehicles Act, and to initiate a new angle of vision under which the monopoly will not be enjoyed only by the Railways, and both the traffic, viz., Road and Rail traffic will be able to pull on well together, each catering to its own particular clientele.

Indian Merchandise Marks (Amendment) Act, 1941

Indian Merchandise Marks (Amendment) Act, 1941, now placed on the Statute Book is a welcome improvement on the old Act, rendered necessary with the growth and development of the trade of India within the last half a century. The commercial community welcome this revision for more reasons than one, as the changes now made in the old Act will not only act as a check on the fraudulent marking of goods being marketed internally in the country but also as a deterrent to the doubtful practices indulged in by the foreign exporters. The demand for this revision originated from the fact that under the old Act marking of the country of origin on goods imported into India was not compulsory. The old Act, of course, took notice of false or misleading indications on the imported goods but that was not enough. Even now, under this revision, the demand of the public to make such marking of the country of origin on imported goods compulsory is not fully met. Under Clause 8 of the Amendment Act the Central Government are empowered to issue notifications after enquiry by them either on their own initiative or on consideration of a representation from the interests concerned, requiring the marking of the country of origin in any cases where this should be found necessary. I consider this part of the revision as a half-hearted approach to satisfy the public demand. The main object underlying the require-

ment for the stamping of the country of origin on imported goods was to stop the imported goods from being passed off as Indian made goods. The Amendment in question cannot, however, effectively prevent such goods being passed off as Indian, as by the time such goods are detected and a notification requiring such goods to be marked with their country of origin is issued by Government, large quantities of them will have landed in the country and sold to the public. It will be advisable for Government to watch the working of this part of the revision and if in the light of practical experience gained after some time Government find that the Indian manufacturers are not effectively safeguarded under the amendment, they should take steps to further amend the Act and make such marking of the country of origin compulsory.

Quotas for Japanese Goods

I am constrained to refer here to certain trade practices indulged in by Japan with regard to the Japanese export trade with India as a result of which the Indian businessman in Japan is gradually compelled to give up his share of the export of Japanese goods to India. You are aware that the Indian businessman in Japan was in no small measure responsible for the development and expansion of Japanese trade with India. You will not mind, if I explain to you a little in detail such practices in Japan, as a consequence of which, his share has dwindled down considerably.

The system of allocation of quotas for regulation of trade between Japan and India came into existence following the trade protocol with Japan as a direct consequence of which, import of cotton piecegoods into India was regulated by quotas to exporters. Taking advantage of this, the Japanese Government presumably encouraged several Trade and Manufacturers' Associations to come into existence with the sole object of controlling their exports in different commodities under the trade arrangement. These Associations have come to control practically all the export lines to India so much so that no goods can be exported from Japan without a permit from the respective Associations. This control is being

tightened to such an extent that in many cases one cannot even enter into a deal direct with the manufacturers. Under the patronage of the Japanese Government, these Associations have come to possess monopoly of stocks and sales on various Japanese manufactures. The usual practice of these Associations is to distribute the quota for export of Japanese goods among various exporters according to their past averages of shipments to India. Out of the total quota, they reserve a certain percentage for those newly started in business which is ultimately auctioned, most of it going to the Japanese. This effort on the part of these Associations to eliminate the Indian businessman from his legitimate share in the Japanese export business has been reduced to almost a fine art. There are many details regarding the working of these Associations, which I would have given you, had I the time to do so. What I have said is sufficient for you to realise the gravity of the menace that threatens the Indian merchants in Japan. There are a few lines still remaining in the hands of the Indian merchants one of which is the export of Japanese Art Silk which is about 80% controlled by the Indian merchants. Apprehension is that some of the remaining lines may also meet the fate of others, and that the Indian merchant may have after all to turn his pace homewards from Japan where he has by dint of perseverance built up export trade which has certainly been in the interest both of Japan and India. Of course, such practices on the part of the Japanese cannot come as a rude shock to us, because, as you all know, the terms of the trade protocol were never adhered to in their strictest interpretation. The stipulation of 1½ million bales of raw cotton to be purchased by Japan from India per annum under the protocol has not been honoured by Japan. You will know that according to the temporary arrangement which would govern the trade between India and Japan pending the conclusion of the new protocol, the export of Japanese goods has been increased to 400 million yards. We may well ask Government whether the maximum of 400 million yards now allowed is composed of the various categories of piece-goods stipulated in the protocol. The old protocol had placed a limitation with regard to the classes of goods imported under

the same. Whether the present arrangement safeguards the Indian industries from the specified goods being dumped into India, is not quite clear. I have to refer to this old matter because it will help to explain to you how the quotas fixed under the trade agreement have worked in favour of Japan. It is high time now that the Government of India gave careful attention to the equitable adjustment of these quotas. The proper course for the Government of India would be to have quotas fixed and distributed in India with regard to the import trade from Japan, if the Japanese Government will not prevent such practices as referred to by me above, after suitable representations by Government. If Japanese trade interests under the patronage of their Government could debar Indians from the membership of such trade Associations controlling such export trade, India will have as much justification in instituting a system of quota with regard to the import trade of India with Japan. Of course, the suggestion is not new. Other countries also had the occasion to introduce the quota system within their territory for the purpose of regulating their trade with Japan. It is fair to suggest, under the circumstances, that in any future trade agreement between India and Japan, provision should be made for adequate protection of the Indian merchants in Japan.

Speech of Mr. M. C. Ghia, M.L.A., President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of the Chamber (30th July 1941)

GENTLEMEN,

Extracts from the proceedings of the Committee meetings for the last three months have been sent to you. I shall take this opportunity of our Second Quarterly General Meeting to express my views on some of the burning problems of the day.

INDIA AND THE WAR

In the times through which we are passing, the war question occupies the minds of all, no matter what is their particular reaction to it ; whether a man is an Imperialist, or

a nationalist or a Pacifist or a Responsive Co-operationist, all have been thinking in terms of the war. Situated as we are in this land, the war has created special problems for us, or may I say, a tangle which neither the people nor the Government have been able to solve. Mr. Winston Churchill emphasises the aspect of democracy in the fight against the Axis. Our foremost leaders, when the issue of the war was hanging in the balance and even when the war was declared, were out for democracy, but the neglect and indifference shown towards this country when the war broke out and all through these two years of war plainly and clearly show that by democracy Mr. Churchill evidently understands the democracy of Europe and America only. We hope and expect that the U. S. A. at least will press for the claims of democracy whether in Europe or America or Asia including India.

The millions in India without being given the right to choose for themselves have been forced to give men and resources to support a Democratic Government which has not given them Democracy and without impunity put into prison for a period of four years the great leader of Indian Democracy, Pandit Jawaharlal Nehru. For whose liberty and equality are Great Britain and U. S. A. fighting when they fight for Democracy unless they fight for all ? When they defend Democracy, whom do they defend if they do not defend all ? Unless they are willing to face this full front of battle, I am afraid they will lose even though Hitler himself is defeated. To fight for Europe's freedom while India is governed by an autocratic Government not responsible to the people is a contradiction. Democracy cannot win so long as these contradictions remain unchanged, for this war now going on in which the great Democracy of U. S. A. may soon be plunged is more than a war of materials. It is a war in which if the Democracies are to win, they must win by clear convictions of the right. Millions in India at this hour of approaching crisis wait for leadership towards freedom. That leadership will not come in a clear and unimpeachable way and with the necessary strength unless it comes out of moral truth.

Mr. Churchill praises the daring and exploits of Indian troops, but he takes them as apart from the nation to which they belong. He mentions the help given by India, but then too, he takes it as if the Indian people and the Indian leaders of public thought and opinion were something quite apart who could be neglected and shown the cold shoulder. In all the public pronouncements which Mr. Churchill is making time after time there is very little reference to India as a nation. He does not believe evidently that India has life, flesh and blood of her own, that India has got leaders and outstanding men who can stand on their own with leaders of any other country and that Indian people are an entity and a nation by themselves. Such an attitude will have to be changed if India is to play the part which rightly belongs to her.

Time after time we are told that the war theatre is being brought nearer home and all sorts of means of persuasion, of threatening and of fear are used to make India join wholeheartedly and actively the war operations. With regard to the sympathy of India with the cause for which Great Britain and the allied powers are fighting, there is no doubt about it whatsoever. In fact, from the very beginning the Indian leaders proclaimed their entire disapproval of the ideology and practice of Fascism and Nazism and the glorification of war and violence and the suppression of the human spirit. The British statesmen, however, had no vision then and, I may say, have no vision even now. They have not been able to canalise all these feelings and sentiments prevalent in India towards any strong, active and vigilant co-operation. Everyone in India would like to have such a co-operation as the policy and principles for which the Totalitarian powers have stood have never appealed to this country. In fact, we in India stood more against those powers in days and months which preceded the war than even the allied powers themselves.

Appeals have been made to the British Government and the Government of India to take all possible steps to win over India. The misfortune is that the Secretary of State for

India the Right Honourable Mr. Amery has neither studied nor appreciated the Indian problem nor the Indian mentality and believes that his ostrich-like policy of closing his eyes to the danger is the best suited for the present times. This is not the way to win the heart of India. We appeal to the British Parliament to consider the case of India seriously as we believe that any solution of the Indian problem will be a great help in the prosecution of the war. We have been insisting since the very beginning of the war that the British Government must announce that Dominion Status would be conferred on India as soon as the war was over. Two precious years have been lost. One cannot understand why the fact that the war is continuing at present should come in the way of such a declaration, as a time limit may be fixed for the goal to be realised in actual practice. The commercial community of the country is always in favour of law and order. The Indian commercial community wants that India should be defended and that she should come out successful if the war is thrust upon her on her own borders. At the same time, it must be understood that the business community cannot stand away from the people in general and from the nationalist policy which India has accepted. It, therefore, appeals both to the British Government and the Government of India to take stock of the situation even now and not to consider that because they can get Indian soldiers, Indian materials, Indian munitions and Indian trade, they should lead themselves to believe that there is no necessity now of dealing fairly and squarely with India and recognising India as a great Democratic nation, like Australia, Canada and others. Such a declaration of Dominion Status would have appealed to the national sentiments of the country and there is no doubt that there would have been immense strengthening of the war efforts. Satisfaction of public opinion is the very *sine qua non* of all war efforts and it is to be deeply regretted that His Majesty's Government have not yet taken a suitable opportunity to declare the goal of their war aims particularly relating to India.

Expansion of the Executive Council

The most recent step taken to win over India, I am sorry to say, has proved a damp-squib. I do not deny that in selecting seven gentlemen as members of the Executive Council, Government have selected able and intellectual people. In fact nothing can be said against these new Councillors personally. They are men of affairs and experience distinguished in one or other walk of life. They are, however, not representative of any large and influential section of public opinion. Is the object then of this expansion to show to the world and particularly to the U. S. A. that India is being placed on the same footing as other self-governing dominions ? I hope it is plainly understood by Government as it is by the people that there are only two powerful and representative political parties in the country which are the Indian National Congress and the Muslim League and evidently both of them have repudiated the new expansion. It has failed as a gesture of appeasement and it has also failed as betokening of any genuine advance of the country towards the goal of Dominion Status. There is also one other grave and serious defect with regard to this expansion to which, I must consider it my duty, to draw your attention. This is that all the important four portfolios are still left in the hands of the bureaucracy as they used to be before. Defence, Finance, Communications and Home, the portfolios which confer real power and which are the key to the administration of any country are still considered sacrosanct and are all held by the officials and by non-Indians.

Even the Conference held in Bombay known as the Sapru Conference urged that the Viceroy's Council should be composed wholly of non-official Indians, that all portfolios including Defence and Finance should be in the charge of Indians and that the Cabinet should in practice exercise collective responsibility and though not in law responsible to the Legislature, should be so constituted as to enjoy its confidence and that atmosphere favourable to the efficient working of the new Council should be created by a declaration that India should be as free and completely self-governing as any Domi-

nion immediately after the war. They have reiterated their above stand only three days ago at the Conference held at Poona. It is claimed that the new Council will have collective responsibility ; but it is not known to whom they will be responsible if they are not responsible to the Legislature. I hope I shall not be misunderstood in my criticism. I consider it my duty as the President of this Chamber to speak out the mind of the Indian commercial community on the vital happenings in the political world. The Indian commercial community is not satisfied with this development. They want that the real representative political parties in the country should be recognised and they want that the power and that too genuine political power should pass into the hands of real representatives of the people. It is because of this that I appeal to the Congress and Muslim League leaders to try to arrive at a solution of the Indian political problem so that the claims and demands of a united political India cannot be resisted. This alone can bring to India her desired political goal and free her from the bondage which is at present strangulating her activities.

In this connection, I cannot help saying that much of the value of the new step taken is lost because our foremost leaders are behind the prison bars. The first question which the newly appointed Councillors must take up should be the jail delivery without any restrictions and limitations. This will pave the way for attempts at a solution of our political and communal problems.

Communal Tension

This country has been passing recently through a wave of communal bitterness. Bombay suffered from it for about two months. Your Committee addressed some communications to Government and also convened a joint meeting of the Hindu and Muslim merchants. We should all be glad that the trouble has now disappeared and let us hope that it will not recur again. Every businessman and every commercial organisation must put forth the best of efforts for driving this canker of communalism and for introducing that

peace, concord and amity which should prevail always between the different communities.

Floods

I have to refer with feelings of sorrow and regret to the recent heavy floods which visited parts of Gujerat a few days back. These floods have been responsible for a good deal of disaster to the railways, to agriculture, to trade and industries and to the public in general specially between Bulsar and Surat, certain districts near Baroda and certain districts near Ahmedabad. Our hearts go out to these afflicted people, many of whom have lost all their own and many of whom have had their agricultural holdings spoiled and their crops ruined. Providence was good at least in one respect that there was not a big loss of life, but the loss of property and harm to agriculture were immense. Government have set apart Rs. 5 lakhs for immediate and future relief; I consider that this sum is quite inadequate if we take into account the heaviness of the disaster. I am quite sure that it will be supplemented from the Special Development Fund to which the surplus of Re. 1 crore was transferred last year. Funds will no doubt be started for organising relief measures and I have to appeal to you, Gentlemen, to contribute liberally to such funds and thus assist the relief operations. As you know, at the time of the last floods, the Bombay Central Flood Relief Committee alone collected about Rs. 20 lakhs from the public. There were besides several other funds which similarly collected contributions from the public. It was through such voluntary efforts that the authorities of the Flood Relief Committee here and of the Ahmedabad Flood Relief Committee were able to assist substantially in the work of relief and reconstruction.

The B. B. & C. I. Railway had havoc wrought on some of its lines. While we sympathise with the railway, I would like to express my regret that this railway did not immediately institute a direct train service between Bombay and Ahmedabad via Khandwa, Ratlam and Baroda as the G. I. P. Railway, for instance, did for Poona via Manmad and Dhond. Surely,

the capital of the province should not be thus allowed to be cut off from a large part of the province. Passengers were required by the G. I. P. Railway to pay enhanced fare for this longer route for which they (passengers) were not responsible. The B. B. & C. I. Railway also when they ran one special train between Bombay and Ahmedabad charged a very much enhanced rate, and ordinarily also the passengers had to pay almost double the original fare when they went to Baroda or Ahmedabad changing at different junctions. It is the duty of the railway to provide alternative transport when the usual transport is closed on account of natural calamities.

Indo-Burma Immigration Agreement

Before I conclude, I would like to say a few words with regard to the recent Indo-Burma Agreement. The recent publication of the proposed Indo-Burma Immigration Agreement has caused serious concern to the Indian public and particularly to the Indian commercial community which has got such huge stakes in that land. As the Government of India had responded to the demand of the Indian public and appointed a body of non-officials to advise them in connection with their negotiations for an Indo-Burma Trade Agreement, the commercial community rightly expected that the Government of India would not carry on effective negotiations for the purpose of an Indo-Burma Immigration Agreement without giving an opportunity to non-official Indians to be associated with them in these conversations and to enable them to place their view points and to give them the right advice in the larger interests of the country. The commercial community, therefore, deeply regret the exclusion of non-official Indians in India from the recent negotiations which the Delegation of Sir Girja Shankar Bajpai carried on with the Burmese Government in Burma for the conclusion of an Immigration Agreement between the two countries.

The joint statement issued by the two Governments in connection with the principles underlying the Agreement states that the recommendations of the Baxter Committee formed a suitable basis for negotiations. We, therefore, fail

to understand the justification for the non-publication of that Committee's Report before the conclusion of the Immigration Agreement and thus depriving the country of their just right to offer their criticisms and suggestions in regard to those recommendations for the consideration and the guidance of the Indian Delegation.

As the Chamber has not got an opportunity of studying the Report of the Baxter Committee and analysing the implications and obligations of the various terms and conditions of the proposed Indo-Burma Immigration Agreement and weighing them in the mutual interests of India and Burma, I shall have to postpone a detailed examination of this question, so vitally affecting the interests of Indians in Burma, to a future occasion. There are, however, one or two very broad aspects of the question to which I consider it my duty to invite your attention today.

There can be no objection to the general proposition that every country has the right to determine the composition of her own population. Burma was till yesterday, only a part of India. Indians were going there and living and working there for the prosperity of Burma, as they would go to any part of India and do so even today. The separation, therefore, of Burma from India could not and should not mean the breaking off of economic and other ties which existed between the two countries. It is true that everyone in India recognises the desire of the people in Burma that the immigration of unskilled labour from India to Burma should be regulated in the economic interests of the Burmans and appreciates the fact that Indians in Burma will have to continue to live and work in that country on the goodwill of the Burmans. I am, however, constrained to remark that the proposed Agreement is of a sweeping character and imposes restrictions not only on the right of entry of the unskilled labour but also on the right of entry into Burma of every Indian whatever his position may be. Hereafter whether an Indian is engaged in Burma today in trade, commerce or industry or whether he follows any profession or occupation or whether he is connected with any other activities, he will not be able to claim the right of

entry into Burma in the future without the express permission of the Government of Burma. I cannot help saying that the terms and conditions which are sought to be imposed on them as a condition of their entry in that country in the future have not only not done justice to the understanding arrived at and the assurances given at the time of the Round Table Conference but have also ignored the recognition of their legitimate rights to which reference has been made in the joint statement. I have, therefore, to urge upon the Government of India in all seriousness that the proposed Indo-Burma Immigration Agreement should not be ratified till both the public and the commercial community have got the opportunity to express their considered views and opinion as to how its terms are going to affect their rights, position and economic interests in that land.

Speech of Mr. J. C. Setalvad, Vice-President, Indian Merchants' Chamber, at the Second Quarterly General Meeting of the Chamber (30th July 1941)

GENTLEMEN,

The President has in his speech dealt with some of the questions which are upper-most in our minds. I will now make a few observations on some of the matters dealt with by your Committee during the quarter.

REVISION OF THE CONSTITUTION OF THE PORT TRUSTS

Your Committee in common with the various other Chambers of Commerce in the country have long since been urging upon the Government of India the necessity for a thorough revision of the existing constitution of the different Port Trusts in the country. With the growth of international trade, ports and their administration have gained in importance and the general outlook of those in charge of the affairs of the ports in matters relating to facilities to trade or on questions of policy affecting the financial administration of the port has a good deal to do in furthering any efforts for stimulating international trade. The gravamen of the charge against the existing constitution of the different ports in the

country, although it may incidentally be mentioned that the port of Bombay is placed in a slightly better position in this regard, is that undue weightage has been given to non-national interests with the result that the general outlook and policy in regard to the administration of the affairs of the port have not been emphasised by any concern to further national interests. It has been the feeling of some of us who have been closely watching the affairs of the different Port Trusts that the preponderating influence of non-national interests in the administration of such bodies has stood in the way of certain measures being adopted which were *prima facie* in the interests of the country. As an instance in point, I may refer to the recent incident connected with the refusal of the Calcutta Port Trust authorities to give facilities for the starting of a shipbuilding yard in Calcutta. There is also the striking case of the very slow process of Indianisation in these bodies.

A Bill has recently been introduced in the Central Legislature with a view to amend the constitution of the Madras Port Trust. It is, however, a matter for great disappointment to find that the proposals of Government, as embodied in the Bill, are very halting and they do not at all realise the fundamental objective which the nationals of the country had in desiring the revision of the constitution of statutory bodies. The hesitation of Government to acknowledge and recognise the vital principle that the conduct and management of public and quasi-public bodies should be the exclusive charge and privilege of the sons of the soil is writ large in the provisions of the Madras Bill and the statements made by the spokesmen of Government in connection therewith. It was not for one or two more seats on the Board of the Port Trust that the Indian commercial community have been agitating all these years.

Examining specifically the representation proposed to commercial interests under the revised scheme of things adumbrated in the Madras Bill, we would like to record our categorical disagreement with the dictum enunciated by the Honourable Member for Communications that representation to commercial interests should roughly be on the basis of

the direct interest in the import and export trade of the port of such interests, meaning thereby, that organisations representing European Commercial interests should be given on the Board of a Port representation roughly proportionate to their share of the sea-borne trade of that port. The Indian commercial community cannot accept this basis as they very strongly feel that the rights of the nationals and non-nationals in the affairs of the public institutions in the country cannot be equated in terms of the share of the trade or other economic interests. Surely, it is inconceivable to suggest that just because there is a good import and export trade between Japan and India and the Japanese merchants resident in India have a substantial share in the handling of the trade in question, special representation should be vouchsafed to the Japanese interests in the port of Bombay or in other similar public bodies. There is another serious fallacy in the scheme of division of representation on the basis of the share of the trade. The statistics relating to the share of trade are compiled on the basis of imports or exports recorded in the name of European importing or exporting houses on the one hand and such Indian houses on the other. It is pertinent to point out that in many cases such importing or exporting houses are in the nature of middle-men and that the real importers or exporters are entirely different parties. It is a matter of common knowledge that generally the importing houses are acting for the large number of Indian merchants and business houses in the market towns of the country. The business, which in the record of the sea-borne trade or at the Custom House records, appears to the credit of the indent or importing houses really pertain to the actual merchants on whose behalf the goods were imported and if this distinction is borne in mind it would be realised that even on the basis of allocation contemplated by Government, viz., representation proportionate to the share of the trade, national commercial interests would be entitled to a preponderating share if not the whole of the seats set apart for representing commerce.

Another question involving an issue of principle which was raised during the discussion of the Madras Bill—although it did not directly arise out of that Bill—related to the sug-

gestion that communal trade organisations should be given separate representation. We are strongly opposed to the demand for representation to a particular organisation because it represents a different community. The introduction of the system of separate electorates in our political organisation has been in no small measure responsible for the general disintegration which we are today experiencing in the country and Government would be helping the spread of such fissiparous tendencies if they acceded to the clamour for representation based on communal considerations. Surely in the sphere of trade and commerce, there is no such separate interest involved and it would be suicidal to create an artificial division, the ramifications and consequences of which are likely to be far-reaching. In the name of the Indian commercial community, I wish to urge upon Government that instead of tinkering with this problem, they should take up the question of reforming the constitution of the Port Trusts in an earnest and serious manner, due regard being given to the fundamental principle of giving the sons of the soil effective and preponderating hand in shaping the destinies of such bodies.

Borrowed Capital and Excess Profits Tax

Under Schedule II, Rule 2 of the Excess Profits Tax Act, in computing the average amount of capital employed in the business, any borrowed money and debts are required to be deducted. An exception, however, is made under Rule 5 of Schedule I of the said Act in the case of loans from Banks carrying on *bona fide* Banking business or of loans secured by public issue of Debentures. The distinction, however, between loans from Banks and Debenture Loans on the one hand and loans by way of deposits or loans from Managing Agents or private parties is working great hardship on small firms and companies, who have no Banking facilities or who from the very nature of their business, are not in a position to raise loans by way of public issue of Debentures.

It is a matter of common practice that apart from the paid-up share capital and the various reserve funds which have been accumulated out of past profits, moneys have to be bor-

rowed and debts have necessarily to be incurred for the expansion and carrying on of day to day business. The computation of capital employed in the business in accordance with Rules given in Schedule II read with Rule 5 of Schedule I, will not represent the actual capital employed in the business, which alone makes it possible to earn its profits. If profits are made subject to the Excess Profits Tax, and the basis on which these profits are earned, is determined on a footing which excludes a large part of the moneys constituting such capital employed, the business would be placed at a serious disadvantage. The relief given by Rule 5, Schedule I is only confined to loans from *bona fide* Banks or secured by public issue of Debentures. It takes no account of moneys borrowed in any other way. Considering the conditions that prevail in India, this constitutes a real hardship. It may be pointed out that a small merchant or a small company will not get any relief under Rule 5 of Schedule I. In centres like Bombay and other important places, small merchants raise capital by borrowing from Shroffs and indigenous money-lenders. We understand that instructions have been issued as to the exact interpretation of the words: "A Bank carrying on a *bona fide* Banking business" to the effect that the functions of such a Bank should be at least three, viz.: (1) receiving moneys from customers on current accounts; (2) lending moneys to customers on security or otherwise; and (3) transfer of moneys from one place to another. If such an interpretation is given to the above words, indigenous Bankers or Shroffs will not fall within this category and all loans borrowed from such Bankers or Shroffs will not be taken into account in computing the capital employed in the business.

It is the common practice that in the case of Companies and many industrial concerns, Managing Agents lend their moneys to the Company for the purpose of its business at a reasonable rate of interest. The loans from Managing Agents also are excluded from computation of capital employed in the business. Such a thing is very vital as it is a widely adopted practice of raising finance in this manner. It may

be pointed out that since the passing of the Excess Profits Tax Act, many industrial concerns with a view to take the benefit of the provisions of Rule 5 of Schedule I, refuse to accept deposits from private individuals and firms and have taken loans on Cash Credit or otherwise from established Banks. The result has been that a small investor such as a poor widow, has lost the opportunity of obtaining a little higher rate of interest by depositing moneys with established concerns in India. We submit, therefore, that it was not the intention of the Legislature to work such a great hardship on poor merchants and investors. When an amendment to this Rule 5 was moved in the Assembly, the Hon'ble the Finance Member opposed the amendment on the ground that the effect of allowing increases in capital of the nature of loans to be treated in this way is that an allowance of the standard percentage of eight or ten per cent would be given, as against the actual rate of interest which would normally be much less. Moreover, it would open wide door to evasion and that if all borrowed moneys were to be treated as capital employed in the business, it would make it possible for loans to be given and taken and for the capital ranking for standard percentage to be inflated in an inwarrantable manner. It would lead to a tremendous amount of argumentation and altercation and would also greatly complicate the administration of the Tax. We submit that this view of the Finance Member is not justifiable. The Act itself is of a complicated character and requires efficient machinery for administration thereof. If the Finance Member is afraid of inflation by reason of unnecessary borrowings, we suggest that Rule 5 should be amended in a manner so as to make it obligatory for the assessee to prove that such borrowings are *bona fide* utilised for the purpose of his business and for no other purpose.

We had occasion to discuss this matter in great detail at the interview which the Committee of the Chamber had with Mr. J. F. Sheehy and Mr. C. W. Ayres of the Central Board of Revenue. The practical difficulties involved in the restriction were placed before them and we suggest that even at the sacrifice of some revenue, in the interests of small investors and in the interests of smaller industrial undertakings, the

distinction should be removed and the relief should be extended in respect of all borrowed capital.

Measured Rate System for Telephones

I should like to refer to a matter of public utility which is at present engaging the serious attention of those taking advantage of the Telephone Service. Recently, the Government of India by a Circular issued in the press, informed us that the introduction of the measured rate system for telephones was under consideration and that the system when completed, would be instituted in Cawnpore, Poona and many other places. Government have also under contemplation the purchase of the various Telephone Concerns in the country and after such purchase, the measured rate system will also be introduced in such places. Gentlemen, this raises a grave issue for the general public and particularly for the business community, who have largely to depend on a speedy means of communication which should not be at the same time costly. This measured rate system will require the telephone subscribers to restrict the number of calls they may make per day, as such calls would be separately charged in addition to the fixed rental that they will have to pay for the installation of the instrument. As you are well aware, the Bombay Telephone Company had proposed to introduce a similar system in Bombay in the year 1925. Your Chamber had then lodged a strong protest against the idea of having such a system introduced here. Happily the proposal was dropped afterwards. We are now again faced with the same difficulty and if we do not bring to the ear of Government the hardships that the business community will have to suffer as a result of the introduction of the system, we will be failing in our duty to the public. Under the existing flat rate system, worked by Government, an annual hire charge is required to be paid by the subscriber and an average number of 20 calls a day are normally allowed. Under the new message rate system, the subscriber would have to pay a fixed rental and in addition would have to pay for the calls separately at the rate of about 14 calls to a rupee. As worked out, the measured rate system

would operate greatly to the disadvantage of the subscriber. My appeal to Government is that the public are entitled to every facility that would encourage the use of the telephone habit amongst them—that they are also entitled to be served by Government with such a means of communication at a rate which would not be a burden on them and which would help speedy business communications. Telephones being a public utility service, should not be worked with a view to make huge profits. Government are not today faced with any deficit, so far as the working of the telephone system is concerned. They, on the contrary, are making a sizable profit as the following figures reveal :—

	1938-39	1939-40
Profit ..	Rs. 21,05,198	Rs. 35,45,914

These figures reveal that in the year 1939-40, Government had a satisfactory surplus in comparison with the previous year and show also that the revenue under the head is expanding. Under the circumstances, Government have not the slightest justification for interfering with the present flat rate system. Government somehow or other, wish to lay a further burden on the public in spite of the fact that the revenue earned shows considerable profit. Lastly, I would urge that under the present developing industrialisation of the country, the telephonic means of communication should be brought within easy reach of the industrialist and the merchant small as well as great. Government should sooner introduce the telephone system in all the towns and cities, if not in villages, than inflict a restriction that would seriously impede the growth of telephone lines in cities and towns where they show signs of expansion.

The Fact Finding Committee (Handloom & Mills)

The appointment of the Fact Finding Committee by the Government of India is a step in the right direction and they deserve to be congratulated for instituting an enquiry of this nature which is bound to have far-reaching results in the future and which will be helping one of the most impor-

tant of cottage industries in India. If I say anything here in support of helping this industry, it should not be considered that I am doing so at the cost of the mill industry which is one of the key industries of the country. In my opinion the advancement of the handloom industry will in no way interfere with the growth of the mill industry as this large country can afford more than enough scope for the fullest expansion of both these industries. If we keep in view the self-sufficiency of the country with regard to the manufactured cloth consumed in the country, this cottage industry will always have to supplement the needs of the country to achieve in a fuller degree the self-sufficiency which we all desire under the present economy of the country. This Fact Finding Committee has issued an elaborate Questionnaire asking for detailed information which would help them to assess the present state of the handloom industry. The need of such a complicated Questionnaire is sufficient proof that the statistics of the number of looms, the amount of production by such looms and the estimated consumption of the same in the country are not available in a manner that would help to understand the true position of the industry. The report of this Committee when issued, will fill the lacuna in this regard. But I am not concerned here with the fact whether the need for help to this industry is fully established by this Report. This industry, as it exists today, is unorganised and so far it cannot show results which would be possible for an organised industry to achieve. Every industry, however small or great, needs support from Government if it is to secure some measure of organised handling. I, therefore, welcome the Government survey of the Industry which would help it to be placed on a sound economic basis. I am sure, ways and means will be devised by Government in due course to supply the necessary finance which is the prime necessity of this industry. The marketing of the products of this industry should also engage the attention of Government in a manner that would secure larger percentage of profits to those engaged in the industry. This Committee, I am sure, will recommend to the Government of India, the urgent need of necessary help from the Provincial Governments to this industry. It would

not be out of place to establish a separate Government Department to look after all aspects of this industry and devise help where necessary. There is a suggestion in the Questionnaire that the Handloom Industry should only manufacture products of low counts, while the Mill industry should be left free to manufacture cloth of higher counts. I am bringing this to your attention not with a view to discuss the propriety of such a suggestion. What I would like to impress upon you is that Government should not restrict the manufactures of both these industries by placing limitations, as such restriction will hamper and impede the full growth of these industries. In a country where rural economy predominates, whether to our liking or not, handloom products should be given the pride of place and should be assisted in a manner that would help to fulfil all the possibilities of such cottage industries. I have one more plea to make to Government in support of this industry. India is a country with a hoary past and was known for its delicate hand-woven manufactures all over the world. This past was almost obliterated for a long time. But the National awakening of the country has brought to the fore all the manufacturing and artistic skill, as well as the possibilities of this kind of manufacture to a people who had forgotten to appreciate the art of their country. I shall not be far from truth if I say that the real art sense of our people can find expression in hand-manufacture, wherein the artisan would display the traditional art forms of the country. If this industry can be revived to its past glory, it would help the now disappearing artistic talent for which this country was far famed. If this Committee could bring out facts, which will help Government to put this industry on a solid foundation, it will have achieved its object.

Speech of Mr. M. C. Ghia, M.L.A., President, Indian Merchants' Chamber, at the Third Quarterly General Meeting of the Chamber (12th November 1941)

GENTLEMEN,

Proceedings of your Committee for the Third Quarter ended 30th September 1941, have been circulated to you. I

should like, at this meeting, to speak on some of the questions which are at present uppermost in the public mind.

War and Political Situation

The first and foremost question is the war. War is spreading its ramifications very widely and Russia is now deeply and seriously involved in it. If serious efforts were made to appease Russia in the beginning, the history of the last two or three years might have been different. I referred, in my speech at the last Quarterly General Meeting, to the disinclination of Mr. Churchill to recognise democracy excepting the democracy of the West, and to his disinclination to refer to India as a nation and her leaders as great men, whom it would be an honour for a country to consider as Allies. Since then Mr. Churchill has proceeded even further in his path of disillusioning us. He and President Roosevelt met at Sea, and drew up the joint Anglo-U. S. Declaration, setting forth the objectives for which the Allies were fighting. This Atlantic Charter, as it is called, consists of eight principal clauses, the third of which runs as follows :—

> "They respect the rights of all peoples to choose the form of Government under which they will live and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them."

Mr. Attlee, Lord Privy Seal, emphasised immediately afterwards, at a reception given in his honour by West African students in London, that they would not find in the Declaration which had been made on behalf of the Government of Great Britain on the war, any suggestion that the freedom and social security for which they fought should be denied to any of the races of mankind, and that the Declaration of principle which he had made the day before applied to all the races of the world, coloured as well as white. He proceeded further and added that "We of the Labour Party have always been conscious of the wrong done by the white races to those with darker skin. We have been glad to see

how with the passing of years, the old conception of colonies as places inhabited by inferior people whose function was only to serve and produce wealth for the benefit of other people, has made way for juster and nobler ideals. . . . Our enemies, the Nazis, have set up a monstrous and ridiculous racial doctrine. They declare themselves to be master race to which the rest of us are inferior." Notwithstanding, or perhaps because of this, Mr. Churchill made a statement in the House of Commons, on his return from his Atlantic tour, with a view, perhaps, to throw a wet blanket over any hopes that might have been raised in the hearts of the Indian people. He saw that the Atlantic Charter, with Mr. Attlee's annotation on the same, had inspired the Indian people with a new hope which might be rather inconvenient for the Empire which professed to be a Commonwealth. He, therefore, said that the problem of European nations was separate from the progressive evolution of self-governing institutions in countries like India, about which the declaration had already been made in August 1940. "The joint declaration does not qualify in any way the various statements of policy, which have been made from time to time, about the development of constitutional Government in India, Burma or other parts of the British Empire. We have pledged by the Declaration of August 1940 to help India to obtain free and equal partnership in the British Commonwealth of Nations, subject, of course, to the fulfilment of the obligations arising from our long connection with India and our responsibility to its many creeds and races. . . . At the Atlantic meeting we had in mind primarily extension of the sovereignty, self-government and national life of the States and nations in Europe now under Nazi yoke and the principles which would govern any alteration in territorial boundaries of countries which may have to be made. That is quite a different problem from the progressive evolution of self-governing institutions in regions with people owning allegiance to the British Crown." This frank and almost brutal declaration points out to India that all the promises and assurances made in the past, even though weak and colourless, had to be abandoned, and that India, the achievements of whose soldiers in the field abroad were

so much praised, was to be considered plainly apart from European countries like Belgium, Netherlands, Poland and the rest. Efforts were made in this country to give a gloss to Mr. Churchill's statement, but such efforts will deceive no one. It is a plain and simple fact, which we must now acknowledge, if we have got some self-respect, that the words freedom and democracy, bandied about since the beginning of the war, apply only to European races and not to us, and that, for us, that half-hearted, narrow-visioned, so-called Declaration of August 1940 stands.

Mr. Lionel Fieldon, ex-Chief of Broadcasting in India writes in the *New Statesman*: "What is in a nutshell the quarrel between Britain and India? It is that India wants freedom, just as much as we do, the same freedom not too rigidly defined as Mr. Churchill wants, freedom to govern themselves, to live themselves in their own way, which is diametrically opposed to the British way, to choose their own friends, allies or enemies. That is why we have flung Nehru and 5,000 more into jail, not because they are enemies or fifth columnists, but simply because they want Indian freedom to be one of the aims of the war." Here is the rub. India is inspired by the same high motives and ideals as have inspired England and her Allies; and yet the tragedy is that instead of trying to get the fullest co-operation from India, they have allowed her to drift apart.

The war situation at present is truly a disconcerting one. In these days of mechanised warfare, it does not take long to bring the war nearer home. There is the danger on the West of the land frontiers of India, if Russia, who, we trust, will be able to win through, fails to do it. There is also the danger on the East, if Japan, under the influence of her militaristic leaders, decides to plunge in, just as Italy did on the eve of the collapse of France. India will have to defend herself on any one or both of these fronts. Indian armies have gone to the Middle East and to the Far East, which are considered her frontiers at present. India has contributed vast and untold supplies to the army. She has contributed also an army which is now going almost to come up to one

million strong, and if the time comes she will be able to defend her frontiers in a manner worthy of her past. At the same time, I must insist, in the interests both of Great Britain and India, that the Indian problem must be solved and that this festering sore must not be allowed to go on poisoning the whole system. Soon after Mr. Churchill's declaration, an Allied Conference was convened under the presidency of Mr. Anthony Eden, which adopted a resolution supporting the principles embodied in the so-called Atlantic Charter. Practically all the Allied countries as well as British Colonies were represented at that Conference, but India was not.

Some of the national leaders are now out of jail, some through the distressing circumstances of their illness, and some because their periods of imprisonment were over. The air is full of rumours as to what will now be done or not done with regard to the Congress programme. It would be perhaps presumptuous for me to suggest any new ways and paths for the country's programme. I should like, however, to say that the country should now adopt, to a large extent, again, the parliamentary programme. I feel, and my view is shared by many, that parliamentary programme is essential to substantially contribute to gain the objective of the country, and, looking to the present crisis with which we are faced, it should be reverted to.

Our representatives in the Central Legislature should take their seats there and, if possible, popular governments, representing all communities should be established in all the Provinces. I do not deny that there are difficulties in the direction of making parliamentary programme successful; but then there are difficulties in the way of any programme. There is a great and vital necessity for a united front and it may be that with the parliamentary programme way can be paved for a united front between the Congress and the other political sections and between Hindus and Muslims. We cannot now allow the tragedy to proceed any further in view of the world crisis and the peculiar position India occupies. It is because of this that I press, with all the power that I can

command, though with all humility and respect, that the Congress and the Muslim League leaders should take up the question of having again the parliamentary programme both at the Centre and in the Provinces. A united front will thus be presented not only for purposes of defence of India but also for purposes of getting from the British Government what is due to us, viz., freedom and liberty to govern ourselves and mould our destiny.

There is, at the same time, a clear duty on the part of Government to make a pronouncement to assure India with regard to her political future." We want a clear definite pronouncement on behalf of the British Government that India will be placed on the Dominion Status, according to the Westminster Statute, within a definite period after the termination of the war. Steps must also be taken to release, immediately, all political prisoners, to enable the leaders to confer together and arrive at a decision which will be in the best interests of all concerned.

Indo-Ceylon Immigration Agreement

Recent events in Europe have emphasised the need for the maintenance of cordial relations between neighbouring countries, and at such a time it is a matter for no small regret that considerations of immediate political powers and of party politics are standing in the way of a realistic attitude being adopted in the matter of future relations between two neighbouring countries like India and Ceylon. The affinity between India and Ceylon can be traced to pre-historic days. Apart from the cultural and geographic considerations, there is the important factor that Indians have contributed, in no small measure, to the development of that Island and its economic resources. There are at present over 800,000 Indians in Ceylon "most of them employed on the Tea and Rubber Estates at higher levels, where Sinhalese have hitherto been unwilling to work in large numbers." The other members of the Indian community hold a "not unimportant place in the trading and business life of the Island." It is pertinent to point out that Indian labourers who emigrated to the country

were persuaded to do so after specific assurances from the Government of Ceylon regarding their equality of status and rights with the Ceylonese. Thus, early this year, the Chief Secretary to the Ceylon Government, explained the position in the following words: "I think I have said enough to make it clear to any important student of the history of this question that it was only after the Government of India had been given assurances that Indians in Ceylon enjoyed the same political rights at the time as other classes of His Majesty's subjects that they approved of the issue of the notification of 1923 permitting emigration to Ceylon and specifying the terms and conditions on which it would be allowed." It is against the background of these assurances and the contribution that Indians have made towards the prosperity of Ceylon that the terms of the recently published Indo-Ceylon Immigration draft Agreement should be considered and examined.

The proposals embodied in the said Agreement contemplate the grant of full citizenship rights only to those who can establish a domicile of origin. The number of Indians who will come under this qualification will be limited. Other Indians may acquire by establishing their claims to it in a Court of Law a domicile of choice; but even such people who come under this qualification will not have full citizenship rights and will not share in the benefit of the Land Development Ordinance and will not also be entitled to be appointed under the Government of Ceylon. Of the remaining persons, those who can prove that they are long established in Ceylon and fulfil prescribed conditions will be given certificates of permanent settlement. Such people will have no rights except the right to reside in Ceylon and earn a living if they can. The difficulties of establishing proof of domicile of choice are great. It will be almost an impossible task to get the rights of 800,000 individuals established through the Court of Law. It must be remembered that the bulk of Indian population there is illiterate labour. The domicile of choice, therefore, in effect, means depriving a large number of the ordinary rights of citizenship. Even certificates of permanent settlement will be granted only to those who can prove that they

can support themselves or have a means of livelihood. If such persons even temporarily get out of employment, their position will be rendered precarious. Moreover, these certificates will be rendered void if the holders stay away from the Island continuously for a period of 12 months. Even children of persons permanently settled there acquire no definite status. Indians resident under three years and future entrants would constitute a class who would have practically no political rights in that country. The Agreement divides Indians into numerous categories, imposes artificial restrictions on their employment and re-entry, and refuses to recognise as citizens those who have made that Island their permanent home. While thus the Agreement is in these respects against Indian interests, it is hoped that by further negotiations these difficulties will be adjusted to mutual advantage, and that the essential social and political unity between the two countries, having geographical and historical connections will be made possible by the necessary recognition of the inherent rights of Indians and an accommodating spirit.

War and Industrialisation of the Country

In a write-up in the Special War Supplies and Indian Industries Number of the *Indian Information*, a Government of India organ, it is claimed that—

> "nearly 400 new articles are now manufactured in India while the range and output of the country's existing industries have considerably expanded. Some idea of the nature and extent of the present industrial expansion may be had from the fact that India today is manufacturing a very large quantity of the Defence requirements, ranging from shirts to ships, from buttons to bridges, from goggles to guns—not only of her own but of all the other countries of the Eastern Group."

This picturesque language may serve for propaganda purpose, but judged in the light of hard facts, the claim that the opportunity presented by the war has been fully used to accelerate the pace of Indian industrialisation cannot be sus-

tained. I am not ignoring the fact that some of our small industries have been able to market in large quantities their products of daily necessities, as the competition from corresponding imported products has been made less unequal due to restrictions on imports and other factors. I am also aware that there has been increased manufacture of munitions and certain war supplies under Government aegis, and that some of our established industries have received, due to war orders, a spurt in production. That, however, is not to say that there has been all round industrial progress in the country and that we have made use of this unique opportunity in furthering our fundamental objective of making India industrially self-sufficient. In the matter of key industries, metallurgical industry, engineering and machine tool industry, transport industry for the manufacture of motor vehicles, etc., no serious effort has so far been made. What is more, we have not even been able to formulate a plan or programme for taking in hand the establishment of such vital units one after another. The initiative for any planned programme should necessarily come from Government and it should be the anxiety of the authorities to push through any such programme. We are constrained to say that Government outlook and policy have not been very helpful in this matter. They seem to be concerned only with the immediate war requirements and the long-range problem of industrialisation is, perhaps, with them secondary. For instance, recently, the Rt. Hon. the Secretary of State for India, Mr. Amery, in reply to a question in the House of Commons, said, that it was not possible for India to manufacture internal combustion engines. This was challenged by an Indian industrialist, who had in a small way been manufacturing such engines. Similarly, the same official tried to explain away the step-motherly attitude of Government in regard to the proposal for the establishment of an automobile factory, by saying that such a scheme would take away essential skilled workmen from other industries engaged in war work. This was also contested by the promoters of the scheme. The Indian commercial community have been urging for a new angle of vision in regard to industrial development in this country. The conditions here are in sharp

contrast with those obtaining in self-governing Dominions like Australia and Canada, where the war effort has been combined with a plan for the permanent and rapid industrialisation of their countries. In 1932, Australia did not produce even an ounce of steel. Faced by the effects of the world trade depression that country adopted a programme of industrial development. As pointed out by Dr. Ghosh, Director, Indian Institute of Science in a recent speech, "She now produces 1.5 million tons of steel—more than India's production per year, her aircraft factories are producing the most up-to-date fighter and bomber planes at the rate of 1,000 a year, her shipyards are now building destroyers, cruisers and merchant ships of 10,000 tons, her engineering industries are producing rifles not by hundreds of thousands but by millions, and Bren guns by hundreds of thousands—and this is the industrial war effort of seven millions of people who only a decade ago mostly produced raw materials for exports to Britain, U. S. A., and Japan." The Hon'ble Sir A. Ramaswami Mudaliar, Commerce Member, Government of India, in one of his speeches before the Legislative Assembly reminded the Indian people about the need for maintaining a proper balance between agriculture and industry, and deprecated any attempts at stressing the case too strongly for industrial self-sufficiency. He observed how the prosperity of the Indian agriculturist was dependent on the markets he obtained in other countries for his produce, and reminded the country that if India wanted to be an exporter of her raw products she would have, willy-nilly, to agree to import some goods in return. We are not oblivious to the importance of export markets for our agricultural products, but it is mainly to end the precarious dependence of our agriculturist on foreign markets and the conditions there that we are urging a better and larger utilisation of such raw materials within the country itself in appropriate industries. If, along with key industries, we establish in the country subsistence industries producing various types of consumers goods, the question of the disposal of our surplus staple commodities can also be gradually solved. I, therefore, again repeat it, that in all these matters what is required is

a concerted plan and a will and determination on the part of the State to push ahead with that plan.

Petrol Rationing and Alternative Fuel

The scheme of petrol rationing in India which has come into force since the last three months will deal, I am afraid, a very serious blow to the cause of industrial advancement of the country. In order, therefore, to avoid the harmful effects attendant upon rationing of petrol in India, your Committee reiterated their suggestion of devising ways and means for the manufacture of power alcohol to be used either as a substitute for petrol or as a suitable admixture. You will perhaps remember that your Committee had made representations to the Central and Provincial Governments to undertake researches in the matter of the utilisation of molasses for the manufacture of power alcohol and when in 1939 the Joint Power Alcohol and Molasses Enquiry Committee appointed by the Governments of the United Provinces and Bihar favourably reported, your Committee urged that legislation covering the whole country should be undertaken in order to enable the industrialists to manufacture power alcohol from molasses and to promote its use. Successful researches have been made in Mysore and power alcohol is being used there as motor fuel. Your Committee had emphasised the importance of power alcohol in their representation to Government and had suggested that there were abundant resources for developing such an industry. The rationing of petrol has deprived us of unfettered and cheap transport vitally essential to agricultural country like India. Curtailment of facilities offered by lorries and buses, consequent upon rationing, has seriously affected the free movement of goods and passengers with the result that there appears to be an excessive pressure on railways. The shortage of railway wagons was being felt even in pre-rationing days and the same has become very acute after rationing came into force. I, therefore, urge upon the Government of India to devote their earnest attention to the question of devising a scheme for the manufacture of a suitable substitute for petrol. Government have appointed

research Boards and Committees of technical experts and well-known scientists from all over the country and this important question may well be submitted to them for their consideration and report. In this connection, I am glad to observe that the Government of Bombay convened an informal Conference of representatives of sugar manufacturers in the Province of Bombay, Oil companies and the G. I. P. and the M. & S. M. Railways, to discuss the possibility of the manufacture of power alcohol for mixing with petrol for the use of motor vehicles. From the reports appearing in the press, it appears that suggestions were made at this Conference to manufacture power alcohol in sugar factories in the Deccan and to undertake legislation on the lines of that in the United Provinces for the compulsory admixture of alcohol in petrol. I hope and trust that the Government of Bombay will accept these suggestions and do the needful at an early date. It is also necessary that all the Provincial Governments should join together and promote uniform legislation all over the country to make the manufacture of power alcohol on a large scale possible. If a cheap substitute for petrol is manufactured and advantageously used, it will bring economic prosperity to the country by opening a new line of industry ; it will relieve Government of their anxiety to secure adequate supply of petrol ; it will provide the people and particularly the agriculturists with cheap and easy transport facilities ; and above all, it will give a healthy impetus to the war effort of the country.

Speech of Mr. J. C. Setalvad, Vice-President, Indian Merchants' Chamber, at the Third Quarterly General Meeting of the Chamber (12th November 1941)

PRESIDENT & GENTLEMEN,

The President has in his speech dealt with some of the important questions which are uppermost in our mind. I shall, with your permission, briefly refer to some of the other questions which have engaged the attention of your Committee during the previous quarter.

Bombay Municipality & Representation to Special Interests

Your Chamber is enjoying certain privileges in the shape of representation on public bodies like the Indian Legislative Assembly, the Bombay Legislative Assembly, Bombay Port Trust, Bombay Municipality, Advisory Committees of the Railways, etc., etc. Several leading Chambers of Commerce enjoy the same or many such privileges in other Provinces also. It is quite in the fitness of things that Chambers of Commerce, which are representative of the business community, should be represented on all such public bodies to put forward the peculiar point of view of the business people. The Bombay Municipality is now going to have adult suffrage as soon as the present term of the Municipality is over, and taking advantage of the new Bill to amend the Bombay Municipal Act providing for adult suffrage, a certain section of the members there moved and were able to carry out a suggestion that there should be no representation of special interests on the Bombay Municipal Corporation which would be constituted under the new adult suffrage. This is extremely regrettable, and I deeply deplore that some of our friends in the Municipal Corporation have not appreciated the value of such a special representation. It was argued that the introduction of the principle of adult suffrage would lead to a complete democratisation of the Bombay Municipality and that, therefore, no special representation of bodies like the Indian Merchants' Chamber, the Bombay Chamber of Commerce and the Bombay Millowners' Association should be provided for. These bodies have been enjoying this representation for the last several years and the record of the Municipal proceedings will show how the point of view they have put forward on many of the pressing problems of the day has proved useful and important to the deliberations of the Corporation. The fact that the electorate of the Bombay Municipality is going to be increased, to a very large extent under the new Bill, is no argument why the special interets should be deprived of their representation. In fact, that is a greater reason why these special interests should continue

to have their representation and their voice in the Municipal administration. Functional or special representation has now been recognised as the best method of securing the presence in the Bodies concerned of men qualified to speak with knowledge and authority on behalf of the special interests they represent and on general issues concerning broad economic principles. The Montagu-Chelmsford Reforms for the first time recognised the principle of special representation on public bodies, and the Constitution Act provided for the creation of Special Constituencies in the Legislative Bodies. The case for further retention of such a method of representation was stressed by the Indian Franchise (Lothian) Committee in their report submitted in 1932. They observed that in their considered view it was desirable that, in order that the Legislature might be better equipped to deal with economic subjects, certain number of seats should be filled by representatives of commerce and industries who would speak in the Legislature from the expert and technical points of view. The Government of India also supported such a view in their Memorandum submitted to the Simon Commission. What is true of bodies concerned in the Government of the country in the political sphere applies equally to bodies representing local Self-Government like Municipalities. I am, therefore, surprised that the value, utility and purpose of having special representation have been overlooked by the Bombay Municipality. In fact, it is trade and industries which constitute the backbone of every city, specially a big city like Bombay. Instead of treating the claims of trade and industries with scant courtesy and indifference, the Municipality should welcome the presence of representatives of trade, commerce and industries, so that their considered and expert views might prove useful in building up a greater prosperity. It is trade, commerce and industries, again, which contribute a very large percentage to the Municipal Revenues. The Municipal Corporation, as a self-governing body, is concerned with questions of finance and taxation, including taxes falling particularly and exclusively on commercial interests. In advanced countries like the U. S. A., Chambers of Commerce act as propaganda agents for their particular cities and contribute

largely to the importance and prosperity of the towns or cities with which they are conceded. Bombay is occupying a very highly honoured place in the country, and there are heavy responsibilities entailing on her like the Port, the Textile Industry, the Railways, her colossal *entrepot* trade, etc. In order that all such responsibilities may be discharged satisfactorily, it is vitally essential that co-operation of representatives of trade, commerce and industries should be sought by the Municipality. I hope that Government will take into consideration all these aspects of the question, and will not accept the short-sighted suggestion which has been put forward regarding the elimination of representation of special interests of the Corporation.

INDIANISATION OF CENTRAL GOVERNMENT SERVICES !

We had occasion at one of the previous meetings to criticise strongly the attitude of the Government of India in appointing non-Indians to several new and important posts connected with the war. We had then pointed out how even in matters involving work of a commercial character, where non-official commercial men had to be appointed, Government were generally inclined to seek their personnel from the European business community. I regret to have to say, there has not been any improvement in the position since then. On the contrary, things are going from bad to worse, and we hear every now and then reports of appointments of non-nationals to important posts. Even for the post of a publicity officer to the newly appointed Agent to the Governor General in U. S. A., the authorities could not find a suitable Indian and had to fall back upon a European journalist. When the British Government and His Excellency the Viceroy are loud in their protestations about their anxiety to see a real transfer of power into Indian hands, continuance of this policy of preserving the plums of office for non-nationals, proves the contrary. Thus, in all the Departments of the Central Government, numbering twelve, excepting in the case of the Communications Department, the posts of Chief Secretaries are held by non-Indians. Much was made of the fact that, in the recent expansion of the Viceroy's Executive Council,

Indians were in a majority. It is significant to point that all the Departments under Indian Members have European Secretaries. In the newly created Civil Defence Department, under the Hon'ble Sir E. Raghavendra Rao, the Secretary, the Deputy Secretary and the Under-Secretary are all Europeans. In the Department of Education, Health and Lands, under the Hon'ble Mr. N. R. Sarkar, the Secretary and one of the Deputy Secretaries are Europeans. In a recent press report, it was mentioned that the Hon'ble Sir Akbar Hyderi, Member-in-Charge of Information and Broadcasting was, on his assumption of office, surprised to find that almost all his lieutenants were non-Indians. It is high time now, therefore, that Government changed their attitude in regard to this vital issue of Indianising the key services of Government in this country.

The scheme of the expanded Executive Council has not met with universal approval. There is a serious element of opposition from the most advanced political parties in the country. It is therefore but meet and proper that the newly expanded Council should begin with an all-Indian Secretariat, to inspire at least some confidence in the new scheme. Instead of that, it appears, the newly expanded Council is going to move on the same lines as the old Council, excepting that instead of there being seven members in the Council there will now be in all twelve members. The people who were at the helm of affairs during the last war had at least got some element of imagination and it was Mr. Montagu who first had an Indian appointed as Governor and also an Indian as a Member of the House of Lords. There are ample opportunities for displaying a similar imagination at present ; but India is always a land of wasted opportunities, and all the governorships will go only to British civilians. In this connection, it is a matter of the deepest regret that non-Indian Dewans are now being appointed in Indian States, big and small, apparently under pressure from the Government of India—as I do not think that Indian States would like to have non-Indian Dewans for their administration. I hope that the newly appointed Executive Councillors of the Gov-

ernment of India will exert their influence at least with regard to the question of Indianisation and that they will put their foot down upon proposals for non-Indianising, if I may so put it, the different Services, as also the Services in Indian States.

Rice Control in Burma

It is the unfortunate lot of our countrymen residing abroad to strive hard for the prosperity and benefit of the land of their residence and not to enjoy the fruits of their labours. If we just glance through the measures passed by the various Dominion and Colonial Governments of the British Empire —not to speak of non-Empire countries—the fact, that they were undertaken to oust Indians from the respective lands, is crystal clear. Closely following the example of the other parts of the Empire, the Government of Burma propose to adopt a scheme, the net effect of which would be extremely detrimental to the Indian interests. I am referring to the announcement made by the Government of Burma on the 8th September 1941, that the Government would control " the export of next year's rice crop by itself becoming the sole exporter " from 1st January 1942. The fundamental basis of that the Government of Burma will be the sole buyer of rice and the sole seller of rice intended for the purpose of export to overseas markets. The State will have, therefore, practically the monopoly of buying, selling and exporting Burma rice to overseas countries. The Indian merchants who have built up this trade at considerable sacrifices and who have developed it from a few lakhs of tons to nearly 2 million tons per year with their strenuous efforts of decades past will be deprived of their freedom of buying, selling and exporting Burma rice which they have enjoyed for years past. They will not be able to buy rice freely because they will have to sell only to the Rice Controller. If rice is not taken up, they will have to store it in godowns and incur godown rent, insurance and interest charges and losses due to dryage, shortage, etc. They will also have to bear the burden of the fluctuations in the market. It will be impossible in the absence of a free competitive market and the normal play of

economic forces for the Indian Rice Merchants to continue their operations and face the gamble of the Rice Controller accepting the lowest tender for his purchase. It is stated that the scheme is intended to secure an economic price for the Burman agriculturists. It is difficult to understand how that object can be achieved when the Burma Rice Controller himself will be buying in the lowest market rice intended for export. Moreover, price of paddy is maintained and paddy moves quickly for being milled into rice because it is mainly financed by the exporting houses. At any time five to six crores of rupees of these Indian Exporting Houses are locked up in the rice awaiting shipments either at Mills or elsewhere. No sane businessman will take this risk, under the conditions of State monopoly, and I am constrained to remark that unless the Government of Burma finances entirely the purchase of paddy, it will be impossible for that Government to secure that economic price for the Burman agriculturists which, it is professed, is one of the objects of the scheme of rice control.

The other fundamental and the more serious aspect of the scheme is that it will be the Rice Controller who alone will sell rice c.i.f. in Rangoon. It is true that in the first scheme it was proposed that he would sell this rice c.i.f. at importing centres. That is dropped in the revised scheme. He will sell now to exporters at such price as he may like to fix c.i.f. at Rangoon. This does not make any vital difference in the effect which the scheme will have on the business of the rice exporters from Burma.

It is contended that the export of rice is to be controlled because certain markets are closed for the time being to Burma rice and Burma is, therefore, anxious for liquidating the next year's rice crop in overseas markets. It is, however, forgotten that the *control of rice will not create new markets for the exports of rice.* On the contrary, State monopoly and the consequent serious interferences with the trade of the exporters which they have built up during years past will militate against free movement of export of rice to overseas markets. Under this State monopoly, exporters will not be able to buy

such quality of rice in such quantity and for such port as they have been buying hitherto, as the normal operations will be impeded. He will be compelled to buy rice from the Controller alone on c.i.f. terms and that too for such a port and at such a price as the Controller will determine. Not only will he be faced with the losses that may be due to the difference of quality and rate but he will also suffer from the fall in the market and for his inability to transfer his goods from one centre to another where he may find that there is a demand for his rice.

The Indian Rice Merchants have got enormous stakes in the exports of rice from Burma to India and Ceylon. They handle nearly 97% of these exports. Their total exports of rice come to nearly 60 to 65% of the total exports of Burma rice to all countries of the world. Their annual exports valued at the present day price would exceed nearly 30 crores of rupees. Amount locked up in rice awaiting shipments or rice awaiting distribution at the importing centres and the amount of outstandings of rice sold on credit system at any time would exceed 10 to 12 crores of rupees. There are various interests connected with the rice trade which are bound to suffer if the Indian rice exporters are eliminated from this important business. I shall not refer here to the share of the Indians in rice milling industry of Burma. I shall not elaborate how such rice milling industry particularly the small millers will suffer under the proposed control scheme which is bound to benefit big millers, i.e., European Houses. I am convinced that if the proposed rice control scheme is brought into operation, it will most seriously affect the fortunes of all Indian interests connected with the rice trade of Burma and will eliminate them from that trade in the time to come.

No one can have any objection against any legitimate steps that may be taken for the benefit of the Burman agriculturists. No one can have any misgivings against any well thought out plan for creating new markets for the export of Burma rice. The proposed scheme, however, as shown above, will achieve neither of these objects as control by itself cannot

create new markets. Moreover, the principle underlying the control scheme is in short, in serious contravention of the assurances given by the Government of Burma at the time of the trade talks that they will see that neither the normal flow of trade between the two countries nor the normal machinery of the trade will be interfered with. The proposed control scheme interferes both with the normal flow of trade and dislocates seriously the machinery for the export of trade which has been built up with the labours of years past. I consider it, therefore, my duty to appeal to the Government of Burma not to proceed with their scheme which deprives Indian merchants of their freedom of buying and exporting Burma rice to overseas markets but to allow them to continue to serve that trade as they have done hitherto particularly as their efforts have improved the general structure of Burman economy. I also consider it my duty to make a special appeal to the Government of India to protect and safeguard the interests of all connected with the rice trade in Burma and to take such steps as they may consider advisable to ensure the continuance of their position and status in that trade in the future as in the past. I would particularly invite the attention of the Government of India to the resolutions passed unanimously at the recent Rice Conference held in Bombay and the serious implications of those resolutions. Indian interests should not be driven to co-operate with the control scheme at the cost of their extermination and extinction. After all India can do without rice from Burma ; but Burma has no alternate markets where it can send its rice which India has been taking for years past. If the Government of Burma remains adamant and is bent upon putting the proposed scheme into operation disregarding the just claims and rights of the Indian exporters, the Government of India, I am sure, will evolve such sanctions as might compel the Government of Burma to drop this reactionary measure and if need be, introduce such a system of importing rice into this country as will not only safeguard the share in that export trade of the existing Indian exporting houses in Burma but will ensure for them conditions of buying, selling and exporting that rice to overseas markets as freely in the future as they have done

in the past. The Rice Control measure announced in the wake of the Burma Immigration Agreement condemned throughout the country has its own significance which, I am sure, is fully realised by the Government of India and let me take this opportunity to appeal to that Government and to urge upon them in all earnestness that the rice control scheme should not be allowed to become a second edition of the Indo-Burma Immigration Agreement which has not only deprived the Indians of the rights guaranteed to them under the Statute and under the assurances of the Ministers of the Crown but has also imposed on them new burdens and fresh fetters for which there is not the slightest justification.

Income-Tax and Excess Profits Tax Acts

The Income-tax and Excess Profits Tax laws of the country intimately affect the commercial community and it is, therefore, natural that during the current year, as also in the past, your Committee have concentrated attention on the difficulties experienced by the commercial public under the above Acts and the administration thereof. The Income-tax Sub-Committee of the Chamber have been meeting very frequently, and I may be allowed to draw your attention that we have made representations on many of the difficulties affecting the assessees from time to time. We had also discussed, at length, such difficulties when Members of the Central Board of Revenue met us, and it may be claimed that some of the suggestions and changes advocated by us have been accepted. It may be recalled that at the time of the Excess Profits Tax Bill, last year this Chamber sent a Deputation to Delhi, led by Mr. M. C. Ghia, the then Vice-President, and it is of common knowledge that due to the efforts of that Deputation, substantial improvements were made in that legislation. From our experience then, it was felt that a similar effort should be made in connection with the Income-tax and Excess Profits Tax amending Bills at present before the Legislature, and accordingly Mr. Mangaldas B. Mehta, a member of our Income-tax Sub-Committee, accompanied by

our Assistant Secretary, was deputed to Delhi to try and secure certain modifications, which were suggested by your Committee and which were essential from the point of view of the commercial community. I am glad to say that the efforts of this Deputation met with a good measure of success in that certain substantial amendments were accepted by the Select Committees to both the Bills. This experience points out to the need for our keeping a close vigil on future legislations of the kind whenever they are introduced, and for similar deputations to elicit support among the legislators for the point of view of the commercial community. I would like to take this opportunity of placing on record the good work that is being done by our Income-tax Sub-Committee and particularly to thank the expert members thereof for the guidance and advice they have given to us from time to time.

APPENDIX 161

Dinner of the Chamber at the Taj.

The 4th Annual Dinner of the Chamber was held on 29th January 1942, at the Taj Mahal Hotel. Prominent among those invited were :—

Sjt. Bhulabhai Desai,
Sir Chimanlal Setalvad,
Dr. J. A. Collaco (Mayor of Bombay),
Sir M. Visvesvaraya and others.

About 150 Members participated in this function. Mr. M. C. Ghia, the Retiring President of the Chamber, welcomed the guests on behalf of the Members and after having thanked them for being present on the occasion observed that serious duties devolved upon each of those present and that the qualities which required of a citizen during war-time were not only heroism and patience and forbearance but also a far-sighted selflessness which would place the interest

of the community higher than the interest of one's own self.

In conclusion, he appealed to the Members present to forsake any tendency to profiteering and exploitation of the present situation but to help the needy in times that all were passing through.

Sir Chimanlal Setalvad and Mr. Bhulabhai also spoke on the occasion.

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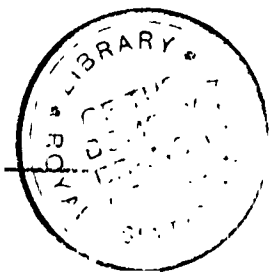

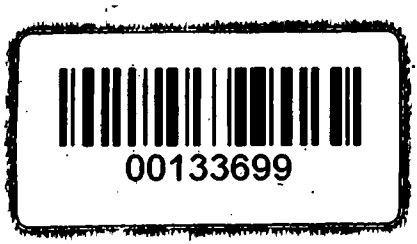
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